



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2017-18

North Wales Fire and Rescue Authority

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Andy Bruce, Ron Price, Carole Smith and Mark Jones under the direction of Jane Holownia.

Adrian Crompton
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

Summary report	4
2017-18 performance audit work	4
The Authority is meeting its statutory requirements in relation to continuous improvement	4
Recommendations and proposals for improvement	4
Audit, regulatory and inspection work reported during 2017-18	5
Appendices	10
Appendix 1 – Status of this report	10
Appendix 2 – Annual Audit Letter	11

Summary report

2017-18 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including North Wales Fire and Rescue Authority's (the Authority) own mechanisms for review and evaluation.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

The Authority is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Authority is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Authority and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Authority, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Authority must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2017-18

Exhibit 1 – audit, regulatory and inspection work reported during 2017-18

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
July 2018	<p>Review of the conditions and use of white fleet vehicles</p> <p>A review to assess if the Authority has taken all reasonable steps to effectively manage and control the potential of inappropriate use of its white fleet vehicles in line with its governance arrangements.</p>	<p>The Authority has systems to manage and control the private use of its white fleet vehicles, however its governance arrangements do not routinely ensure compliance with policies and restrictions. We reached this conclusion because:</p> <ul style="list-style-type: none"> the Authority has a policy for managing its white fleet vehicles but it needs revising; driver logs must be used to record details of all journeys made in white fleet vehicles, however, they are not consistently completed, returned or adequately scrutinised by managers; and controls are in place to manage the white fleet but are not being used effectively to manage all likely risks. 	<p>Policy and guidance for white fleet vehicles</p> <p>The Authority should review and update its policy and guidance for white fleet vehicles and specifically:</p> <ul style="list-style-type: none"> ensure it reflects relevant controls, legal and tax requirements; include operational guidance for managers and staff; ensure that staff at all levels understand and are held to account for complying with the policy and controls; notify all staff of any revised fleet management policies including vehicle logs, vehicle tracking and mandatory requirements; and review the base locations of pool vehicles to ensure they meet HMRC criteria and the location that requires the vehicle.

Issue date	Brief description	Conclusions	Proposals for improvement
			<p>Vehicle logs</p> <p>P2 The Authority should revise its vehicle log system and specifically:</p> <ul style="list-style-type: none"> • state on the log that home to base and private use is not permitted, unless those duties necessitate journeys to home addresses, for example, on call; • incorporate appropriate disclaimers within the vehicle logs which must be signed by the driver; • ensure vehicle log sheets are complete and submitted on a monthly basis to the appropriate department; and • reconcile vehicle logs to management reports of fuel usage. <p>Vehicle tracking</p> <p>P3 The Authority should strengthen its governance arrangements by:</p> <ul style="list-style-type: none"> • ensuring the vehicle tracking system is understood and available to all managers with fleet responsibilities; • introducing a mandatory requirement for managers with fleet responsibilities to regularly monitor the vehicle tracking system and specifically use the 3am reports to track vehicle movements and challenge any discrepancies; and • ensuring managers and staff appropriately respond to any challenges raised by departmental managers.

Issue date	Brief description	Conclusions	Proposals for improvement
November 2017	<p>Annual audit letter 2016-17</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p>	<ul style="list-style-type: none"> • The Authority complied with its responsibilities relating to financial reporting and use of resources; and • the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. 	None
Improvement planning and reporting			
April 2017	<p>Annual improvement plan audit</p> <p>Review of the Authority's published plans for delivering on improvement objectives.</p>	The Authority has complied with its statutory improvement planning duties.	None
November 2017	<p>Annual assessment of performance audit</p> <p>Review of the Authority's published performance assessment.</p>	The Authority has complied with its statutory improvement reporting duties.	None

Issue date	Brief description	Conclusions	Proposals for improvement
2016-17 Follow-up work	<p>Review of asset management arrangements - issued October 2017</p> <p>During 2016-17, we reviewed the effectiveness of the Authority's approach to managing its land and buildings including sharing facilities. A number of proposals for improvement were made and we audited progress in delivering these.</p>	<p>Work is in progress to improve financial reporting and the financial control environment in general.</p> <p>Steps have been taken to ensure that the qualitative and quantitative aspects of the Code of Practice on Local Authority Accounting and Financial Reporting are being met. This was reported to the Authority's Audit Committee in June 2018 through the Annual Governance Statement.</p> <p>Departmental Managers have been briefed on the requirements for maintaining accurate, comprehensive asset registers and for ensuring the correct classification of assets. The work of updating registers continues, with advice and guidance being provided through the Finance department.</p> <p>In relation to decision-making as part of managing the capital programme, the Authority now places more emphasis than it might have done previously on undertaking an options appraisal instead of proceeding directly to like-for-like replacement. This includes focusing on clarifying the current and future need and on determining what alternatives there might be, for example, recent consideration of the future of the Fire Service's training facilities in Dolgellau.</p> <p>Following a recent change of personnel at senior management level, two Assistant Chief Officer posts are introduced. Further work is proposed to reflect in corporate documents the new roles and responsibilities for decision making in this area.</p> <p>At an all-Wales level, the work of agreeing common measures to assess key indicators around land and buildings has yet to be progressed (potentially through the National Issues Committee). However, it is anticipated that some of the thinking for this can form part of the Authority's planned re-assessment later this year against its platinum level award for the Corporate Health Standard which incorporates sustainability and buildings-related matters.</p>	None

Issue date	Brief description	Conclusions	Proposals for improvement
Reviews by inspection and regulation bodies			
No reviews by inspection and regulation bodies have taken place during the time period covered in this report.			

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General’s duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Annual Audit Letter

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 Report¹. 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.

¹ [Audit of Financial Statements Report – North Wales Fire and Rescue Authority](#)

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.

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

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru