



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report: 2017-18

Mid and West 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 and Mark Jones under the direction of Jane Holownia.

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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.

This document is also available in Welsh.

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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 Mid and West 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 On 7 June 2018 the Auditor General certified the 2015-16 financial statements of the Authority and of the Fire Fighters' Pension Fund. The Auditor General placed an unqualified audit opinion on the Fire Fighters' Pension Fund statements, and a qualified audit opinion on the Authority's statements. On the same date the Auditor General issued a certificate confirming that the audit of the financial statements had been completed. Having concluded the audit of the 2015-16 financial statements, in June 2018 the Auditor General issued the 2015-16 Annual Audit Letter, which is set out in [Appendix 2](#). The Letter explains the nature of the audit qualification and provides links to our detailed audit reporting. The Authority is currently preparing its 2016-17 financial statements, which the Section 151 Officer intends to sign and present to members of the Authority in September 2018.

Appendices

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
June 2018	<p>Annual audit letter 2015-16</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 largely complied with its responsibilities relating to financial reporting and use of resources; and with the exception of the Authority's arrangements for managing its VAT returns and for the preparation of the accounting statements, I am satisfied that the Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. <p>The annual audit letter for 2016-17 will be issued when the audit of the 2016-17 financial statements is complete.</p>	See paragraph 5 above.
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

Issue date	Brief description	Conclusions	Proposals for improvement
November 2017	<p>Annual assessment of performance audit</p> <p>Review of the Authority's published performance assessment.</p>	<p>The Authority has complied with its statutory improvement reporting duties.</p>	<p>None</p>
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. We followed up progress in the last year.</p>	<p>The Mid and West Wales Regional Asset Collaboration Group met recently which is chaired by a member of Carmarthenshire County Council who is a member of the National Assets Working Group (NAWG). It was agreed that this forum will feed into the NAWG agenda and will look to review the benchmarking data to feed into a key indicators programme. One of the issues highlighted was the lack of good data so there was a consensus within the group that a collective approach to the Welsh Government would be made for support.</p>	<p>None</p>
<p>Reviews by inspection and regulation bodies</p>			
<p>No reviews by inspection and regulation bodies have taken place during the time period covered in this report.</p>			

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 Rowland Rees-Evans
Chair of the Mid and West Wales Fire and Rescue Authority
Fire Service Headquarters
Lime Grove Avenue
Carmarthen
SA31 1SP

Reference: 643A2018-19

Date issued: 5 July 2018

Dear Councillor Rees-Evans

Annual Audit Letter – Mid and West Wales Fire and Rescue Authority 2015-16

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

It is Mid and West Wales Fire and Rescue Authority's (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 7 June 2018 I issued:

- an unqualified audit opinion on the 2015-16 accounting statements of the Fire Fighters' Pension Fund; and
- a qualified audit opinion on the 2015-16 accounting statements of the Authority.

With regard to my qualified audit opinion on the Authority's accounting statements, I reported that:

- the accounting statements had been properly prepared; and
- the accounting statements were true and fair, except for the possible effects of uncertainty over some of the accounting classifications within the Comprehensive Income and Expenditure Statement and a related note on Net Revenue Expenditure, and Earmarked Useable Reserves.

My audit report is set out at pages 25 to 28 of the audited Statement of Accounts¹. Prior to my certification of the 2015-16 accounting statements, on 6 June 2018 the key matters arising from my audit were reported to the members of the Authority through my Audit of Financial Statements Report². Aside from my qualified audit opinion and its basis, the most important audit matters within the report were:

- the significant problems experienced over the past two years with regard to inadequate accounting statements and the underlying accounting records in respect of 2015-16;
- the important remedial work undertaken by the Authority since November 2017, which addressed most of the problems;
- the statutory recommendations (made under Section 25(2) of the Public Audit (Wales) Act 2004) that I raised in October 2017 setting out the key actions needed, which the Authority's members formally considered and accepted in December 2017;
- the fundamental weakness in the Authority's control over its VAT returns, between March 2013 and August 2016, which the Authority has now addressed; and
- deficiencies in the audit of the 2014-15 accounting statements, on which I comment further at page 3.

On 7 June 2018 I issued a certificate confirming that the audit of the accounting statements had been completed.

With the exception of the Authority's arrangements for managing its VAT returns and for the preparation of the accounting statements, I am satisfied that the Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

1 [Audited Statement of Accounts](#)

2 [Audit of Financial Statements Report](#)

My consideration of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounting statements as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. Under the Measure I issued my Annual Improvement Report 2015-16³ and Annual Improvement Report 2016-17⁴ in November 2016 and January 2018 respectively.

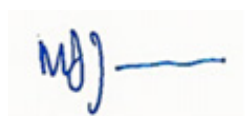
Based on the results of my work I consider that for 2015-16 the Authority had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except for it having been:

- ineffective and uneconomic in securing resources due in respect of VAT; and
- ineffective and inefficient in preparing its accounting statements.

The preparation and audit of the accounting statements were extremely difficult and protracted, with a significant level of additional audit work being undertaken. Due to the nature and timing of some of the underlying historical issues, I have provided a refund of £34,500 being the audit fees paid for the 2014-15 audit of accounts. This followed a quality assurance review of the work carried out by the audit team on aspects of the audit of the 2014-15 accounts. I have also written-off audit costs of £50,164 that will not be charged to the Authority. After taking account of this write-off, an additional fee of £116,732 will be charged.

The fee estimate for my audit of the 2016-17 accounting statements has been set within the fee-scale parameters for the fire and rescue authorities, which are set out in the Wales Audit Office's published Fee Scheme 2017-18⁵.

Yours sincerely



Mark Jones

For and on behalf of the Auditor General for Wales

cc. Chris Davies, Chief Fire Officer

Chris Moore, Section 151 Officer

Kevin Jones, Director of Resources

³ [Annual Improvement Report 2015-16](#)

⁴ [Annual Improvement Report 2016-17](#)

⁵ [Fee Scheme 2017-18](#)

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