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Please contact us in Welsh or English.

Cysylltwch â ni'n Gymraeg neu'n Saesneg.

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.

¹ www.mawwfire.gov.uk/SiteCollectionDocuments/StatementOfAccounts1516.pdf

²

www.mawwfire.gov.uk/SiteCollectionDocuments/Fire_Authority_Committees/FA/2018/06.06.18_EGM/AgendaItem4.pdf

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

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

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www.audit.wales/system/files/publications/mid_west_wales_fire_annual_improvement_report_2016_english.pdf

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www.audit.wales/system/files/publications/mid_west_wales_fire_rescue_annual_improvement_report_2017_english.pdf

⁵ www.audit.wales/system/files/publications/Fee-scheme_English_final.pdf