

The report is Not Exempt

The report is for Information

REPORT TO: FIRE AUTHORITY

MEETING DATE: 17

September 2018

SUBJECT: To receive and note a report on the 2017 Wales Audit Plan Addendum
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SUMMARY:

<p>This Audit Plan Addendum for 2017 (Appendix 1) has been prepared to meet the requirements of auditing standards and proper audit practices. This is an addendum to the Audit Plan issued in April 2017. That document did not include a plan of the work and fee for the audit of Mid and West Wales Fire Authority's (the Authority's) 2016-17 financial statements because the audit of the 2015-16 financial statements remained outstanding. Wales Audit Office (WAO) have now completed and closed the audit and can therefore issue this addendum which sets out their assessment of risks, their audit approach and the fee estimate for the 2016-17 financial audit work.</p>
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RECOMMENDATIONS:

That Members note the report.

REPORT APPROVAL

Clerk:	Comments: Approved Date: 14.09.18
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Director:	Comments: Not applicable Date:
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Finance/Treasurer:	Comments: Approved Date: 13.09.18
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Chief Fire Officer	Comments: Approved Date: 13.09.18
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BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:
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Presenting the Report:	Wales Audit Office Representative
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Report Author(s) and Designation	Wales Audit Office Representative
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Date original report written	13/09/2018
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Mae'r adroddiad Heb ei Eithrio

Mae'r adroddiad Er Gwybodaeth

ADRODDIAD I: YR AWDURDOD TÂN

**DYDDIAD Y CYFARFOD: 17
MEDI 2018**

PWNC: Cael adroddiad ar yr Atodiad i Gynllun Archwilio Cymru ar gyfer 2017, a'i nodi

CRYNODEB: Paratowyd yr Atodiad hwn i Gynllun Archwilio 2017 (Atodiad 1) i fodloni gofynion y safonau archwilio a'r arferion archwilio priodol. Atodiad yw hwn i'r Cynllun Archwilio a gyhoeddwyd ym mis Ebrill 2017. Nid oedd y ddogfen honno yn cynnwys cynllun o'r gwaith a'r ffi ar gyfer archwilio datganiadau ariannol Awdurdod Tân Canolbarth a Gorllewin Cymru (yr Awdurdod) ar gyfer 2016-17 gan fod archwiliad datganiadau ariannol 2015-16 yn dal i ddisgwyl sylw. Mae Swyddfa Archwilio Cymru bellach wedi cwblhau a chau'r archwiliad, ac felly gall gyhoeddi'r atodiad hwn, sy'n nodi ei hasesiad o'r risgiau, ei dull o gynnal yr archwiliad, ac amcangyfrif o'r ffi ar gyfer y gwaith o gynnal archwiliad ariannol 2016-17.

ARGYMHELLION:

Bod yr Aelodau yn nodi'r adroddiad.

CYMERADWYO'R ADRODDIAD

Clerc:	Sylwadau: Cymeradwywyd Dyddiad: 14.09.18
Cyfarwyddwr:	Sylwadau: Ddim yn gymwys Dyddiad:
Cyllid/Trysorydd:	Sylwadau: Cymeradwywyd Dyddiad: 13.09.18
Prif Swyddog Tân	Sylwadau: Cymeradwywyd Dyddiad: 13.09.18

PAPURAU CEFNDIR A DDEFNYDDIWDYD WRTH BARATOI'R ADRODDIAD HWN:

Yn cyflwyno'r Adroddiad:	Cynrychiolwr SAC
Awdur(on) yr Adroddiad a'u Swyddi	Cynrychiolwr SAC
Dyddiad yr ysgrifennwyd yr adroddiad gwreiddiol	03/09/2018

1 Summary

- 1.1 This Audit Plan Addendum for 2017 (Appendix 1) has been prepared to meet the requirements of auditing standards and proper audit practices. This is an addendum to the Audit Plan issued in April 2017. That document did not include a plan of the work and fee for the audit of Mid and West Wales Fire Authority's (the Authority's) 2016-17 financial statements because the audit of the 2015-16 financial statements remained outstanding. Wales Audit Office (WAO) have now completed and closed the audit and can therefore issue this addendum which sets out their assessment of risks, their audit approach and the fee estimate for the 2016-17 financial audit work.

2 National/Wales Position

- 2.1 The addendum to the plan is a Mid and West Wales Fire Authority specific matter although similar reports are issued to all Fire and Rescue Authorities.

3 Mid and West Wales Fire and Rescue Service Current Position

- 3.1 The Audit Plan forms the basis upon which the Wales Audit Office will undertake its audit of the Authority's 2016/17 Statement of Accounts as part of its annual financial audit process.

4 Proposal

- 4.1 The report is for information.

5 Financial/Procurement Implications

- 5.1 The estimated cost of the audit plan is £59,083.

6 Risk Assessment/Legal Implications

- 6.1 The audit is a legal requirement and provides an opinion on whether the Authority has discharged its duties appropriately.

7 Equality and Diversity Including Welsh Language

- 7.1 Considered not relevant at this time.

8 Human Resource and People Development

- 8.1 Considered not relevant.

9 Information and Communications Technology (ICT)

- 9.1 Considered not relevant.

10 Estates

- 10.1 Considered not relevant.

11 Service Delivery

- 11.1 Considered not relevant.

12 Fire Authority Governance

- 12.1 The audit work assists the Treasurer and Clerk to recommend to Members that the Corporate Governance Assurance Statement should be signed by the Chair and the Chief Fire Officer at the end of the year.

13 Consultation & Communication

- 13.1 No consultation is required.

14 Evaluation

- 14.1 If approved the proposal will be reviewed regularly and in accordance with any statutory changes to FRS duties.

15 Environment / Sustainability

- 15.1 Considered not relevant at this time.

16 Well-being of Future Generations (Wales) Act 2015

- 16.1 Considered not relevant.

17 Data Protection and Privacy Issues

- 17.1 No impact considered in this area.

18 Recommendations

- 18.1 That Members note the report.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

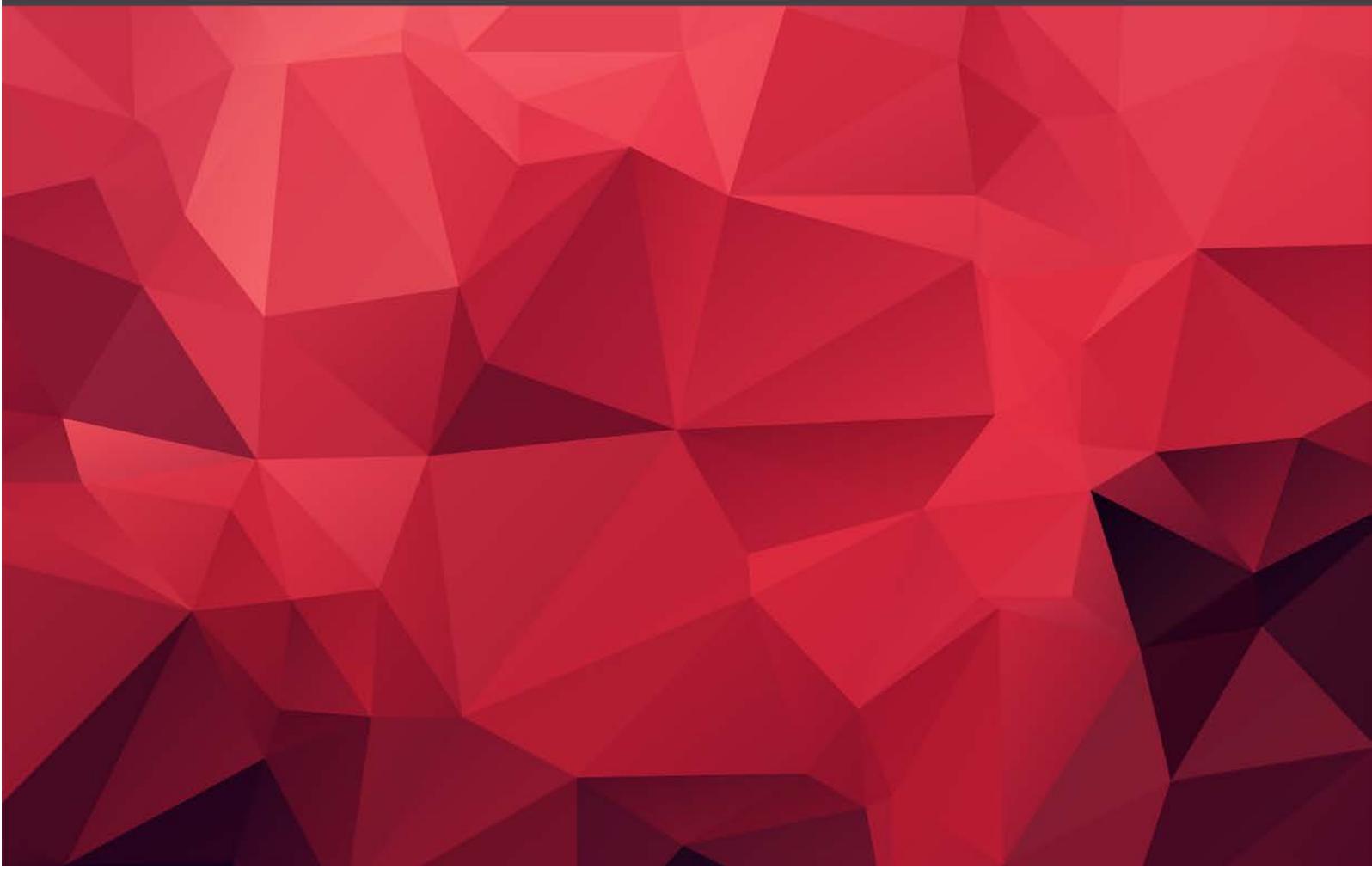
Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan Addendum – **Mid and West Wales Fire and Rescue Authority**

Audit year: 2016-17

Date issued: August 2018

Document reference: 759A2018-19



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This document was produced by Jane Holownia, Mark Jones and Clare James.

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2017 Audit Plan addendum

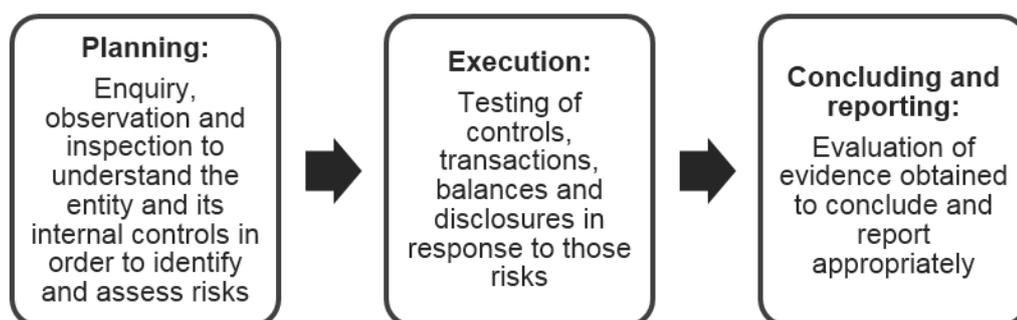
Summary

- 1 This is an addendum to my Audit Plan issued April 2017. That document did not include my plan of work and fee for the audit of Mid and West Wales Fire Authority's (the Authority's) 2016-17 financial statements¹ because the audit of the 2015-16 financial statements remained outstanding. I have now completed and closed the audit and I can therefore issue this addendum which sets out my assessment of risks, my audit approach and the fee estimate for my 2016-17 financial audit work.
- 2 I can confirm that there have been no limitations imposed on me in planning the scope of this audit. My duties and my responsibilities regarding the audit of financial statements, along with those of management and 'those charged with governance' were set out in my April 2017 Audit Plan and are not repeated here.

Financial Audit

- 3 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



- 4 The financial audit risks which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#), over the page, along with the work I intend to undertake to address them.
- 5 Alongside these specific responses my team will follow up the recommendations I made to the Authority in my May 2018 Audit of Financial Statements Report.

¹ The audit covers the Authority's main financial statements and its firefighters' pension fund account.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness and authorisation of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>I qualified my 2015-16 audit opinion due to lack of sufficient appropriate evidence to support some of the classifications in the financial statements. There remains a risk that these issues will not be resolved for 2016-17.</p>	<p>My audit team will review these specific areas to assess whether sufficient appropriate evidence to support classification is in place for 2016-17.</p>
<p>My audit of the 2015-16 financial statements was difficult and protracted. Draft financial statements were of poor quality with 17 versions received by my audit team before certification. Although there is now a new team in place at the Authority, the difficulties my team experienced during the 2015-16 audit raises the general risk of misstatements for 2016-17.</p>	<p>My audit team will consider the higher general risk of misstatements when calculating their sample sizes for substantive testing.</p>

- 6 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The quantitative levels at which I judge such misstatements to be material are estimated at this stage to be £1,246,000 for the Authority and £628,000 for the Fire Fighters' Pensions Fund. These levels will be re-calculated once I have received the draft financial statements.
- 7 For reporting purposes, I will treat any misstatements below a 'trivial' level as not requiring consideration by those charged with governance and therefore I will not report them. Based on the estimated materiality levels set out above, the trivial limit will be £62,000 for the Authority and £31,000 for the Fire Fighters' Pensions Fund.
- 8 In addition, certain items will be judged to be material irrespective of value, for example Senior Officer remuneration and related party disclosures.
- 9 My fees are based on the following assumptions:

- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
- appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements.

Fee, audit team and timetable

Fee

- 10 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. Further information on my fee scales and fee setting can be found on the Wales Audit Office [website](#).
- 11 Your estimated fee for the audit of the 2016-17 financial statements is set out in [Exhibit 3](#). VAT is not chargeable on the audit fee.

Exhibit 3: audit fee

Audit area	Proposed fee (£)	Actual fee last year (£)
Audit of the financial statements	59,083	151,232

- 12 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no significant changes without first discussing them with the Section 151 Officer.

Audit team

- 13 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: my team

Name	Role	Contact number	E-mail address
Jane Holownia	Engagement Director	02920 320565	jane.holownia@audit.wales
Mark Jones	Financial Audit Engagement Lead	02920 320631	mark.jones@audit.wales
Clare James	Financial Audit Manager	07837 384617	clare.james@audit.wales
Eleanor Bowdler	Financial Audit Team Leader	02920 329327	eleanor.bowdler@audit.wales

- 14 I can confirm that my team members are all independent of the Authority and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 15 I will provide reports, or other outputs as agreed, to the Fire Authority covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#). These dates are subject to timely clearance of draft findings with the Fire Authority.
- 16 Once I have completed the audit and reported my findings and conclusions, my certification of the 2016-17 financial statements is likely to be dependent on the Authority having paid the invoiced 2015-16 fees.

Exhibit 5: timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan addendum	August 2018	August 2018
Financial accounts work: <ul style="list-style-type: none">Audit of Financial Statements ReportOpinion on Financial Statements	September – December 2018	December 2018

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