



WALES AUDIT OFFICE
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Annual Letter

South Wales Fire Authority

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Summary

1. This Annual Letter sets out the key messages from work undertaken over the last 12 months up to the point when it was written by:
 - the Appointed Auditor under the Code of Audit and Inspection Practice (the Code); and
 - the Relationship Manager (RM) on behalf of the Auditor General for Wales (Auditor General) under the studies and inspection powers of the Auditor General.
2. The Annual Letter includes a summary of audit and inspection work and reports progress against improvement actions. It draws on published reports of other inspectorates to provide an annual summary to the Fire and Rescue Authority (the Authority). The work planned for the year was set out in the Regulatory Plan 2006/2007 and more detail on the specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.
3. The Annual Letter will be provided to all members in December 2007 and will be presented to the Authority on 17 December 2007.
4. The Auditor General's Appointed Auditor has concluded that the Authority's resources were, in all material respects, properly used and accounted for in 2006/2007:
 - the Authority's 2006/2007 accounts presents fairly, and were properly prepared;
 - the Authority's financial health at 31 March 2007 was robust, though there has been significant increase in the balance held on the general fund;
 - although the Authority indicated that it has delivered the required efficiency gains, it has made limited progress in capturing and measuring these effectively;
 - the Authority has appropriate financial management arrangements; and
 - the Authority's significant financial systems have continued to operate effectively though there are a number minor improvements to budgetary control which should be reviewed and implemented.
5. The Appointed Auditor has concluded that the Authority had proper arrangements in 2006/2007 to help it achieve economy, efficiency and effectiveness in its use of resources.
6. Performance, audit and inspection work delivered on behalf of the Auditor General found that services are generally well run.

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7. The Authority has engaged positively with the Wales Audit Office's initiatives to promote improvement through shared learning and the Good Practice Exchange. We are also continuing to review the Authority's progress on Making the Connections.
 8. The Joint Risk Assessment identified some services where further work is required. The operational assessment, conducted by the peer assessment team, identified the following key operational risks:
 - prevention and protection – the Authority needs to consolidate enforcement protocols with housing associations in respect of houses in multiple occupation and improve data system for recording activities;
 - the Authority needs to review the *Vision* system, data sharing opportunities and revise procedures to reflect capabilities of Vision;
 - there is evidence that the increasing incidence of secondary fires is putting pressure on the Service and its emergency response capacity; and
 - a need to review and refresh policy on unwanted fire signals (UFS) to address an increasing trend in the statistics.
 9. Although the Authority has a clear corporate vision, the Joint Risk Assessment also highlighted the following key non-operational risks:
 - the need to make the personal development review (PDR) system more robust and consistent;
 - the planned move to new headquarters brings with it many potential benefits but also risks around project management, finance and estates management; and
 - making further improvements to scrutiny and member engagement, which is being considered as part of a good practice project by Wales Audit Office.
 10. The Appointed Auditor recommends no statutory inspections this year.

Gill Lewis
Appointed Auditor
Date: 10 December 2007

Rob Powell
Relationship Manager
Date: 10 December 2007

The Appointed Auditor's report

The Authority's resources were, in all material respects, properly used and accounted for

11. The Financial Statements are an essential means by which the Authority accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Code identifies that it is the responsibility of the Authority to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records; and
 - prepare Financial Statements in accordance with relevant requirements.
12. As auditors we are required to audit the Financial Statements and to issue an auditor's report which includes an opinion on whether the Financial Statements present fairly the state of affairs of the Authority. The auditor's report also gives our opinion on whether the Financial Statements have been prepared properly in accordance with relevant legislation, directions or regulations, and applicable accounting standards.
13. Our financial audit work covers the following areas:
 - Financial Statements;
 - financial health;
 - financial management; and
 - financial systems.

The Authority's 2006/2007 Financial Statements present fairly and were properly stated

14. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our accounts audit. The Appointed Auditor's report *Audit of the Financial Statements – reporting to those charged with governance* was presented to the Authority on 17 September 2007. A summary of the findings is set out in Exhibit 1.

Exhibit 1: ISA 260 reporting to the Authority

Reporting requirement	Auditor's response
Modifications to the auditor's report.	No modifications were required to the auditor's report.
Unadjusted misstatements.	There were no unadjusted misstatements. A number of errors and omissions were found during the audit which were subsequently amended by management.
Material weaknesses in the accounting and internal control systems identified during the audit.	The audit did not identify any material weaknesses in the accounting and internal control arrangements.
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	All errors and omissions found during the audit were promptly and correctly adjusted. However the reasons for these amendments should be reviewed to identify what changes should be made to prevent a reoccurrence in 2007/2008.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	The audit confirmed that there were no matters relating to other audit standards which we are required to report to you.
Any other relevant matters relating to the audit.	The audit confirmed that there were no other matters which we are required to report to you.

15. On 28 September 2007 we issued an unqualified auditor's report on the Financial Statements.
16. Our work auditing the Whole of Government Accounts (WGA) return has not identified any significant issues.

The Authority's financial health at 31 March 2007 was robust, though there has been significant increase in the balance held on the general fund

17. We are responsible for assessing whether the Authority has put in place adequate arrangements to monitor, control and report on its financial standing. Our audit was based on a review of the following areas:
 - setting a balanced revenue budget and capital programme;
 - financial monitoring and reporting;
 - meeting financial targets; and
 - financial reserves.

18. We have examined budget reports and procedures and we are satisfied that suitable arrangements are in place and that the Authority's revenue and capital budgets cover all relevant areas of income and expenditure, and are based on realistic assumptions.
19. We are also satisfied that the Authority has in place sound arrangements for financial monitoring and reporting that should ensure that any potential material misstatements and variances will be identified.
20. The Authority has a good track record of operating within its revenue budget. Last year we reported that there had been a significant underspend in its revenue expenditure for the preceding three years. This trend has continued in 2006/2007 with an under spend of £1.4 million against the agreed budget.

Exhibit 2: Financial outturn 2004/2005 to 2006/2007

	2003/2004 £'000	2004/2005 £'000	2005/2006 £'000	2006/2007 £'000
Budget	54,679	59,346	67,040	69,654
Actual expenditure	53,802	58,197	66,434	68,222
Surplus	877	1,149	606	1,432

Source: *Financial Statements*

21. Additionally, from the 1 April 2007, most liabilities in relation to fire fighter pensions transferred to the Welsh Assembly Government (Assembly Government). This has meant that the former pension provision for uniform staff was no longer required and the provision together with the under spend on the revenue expenditure was transferred to the general fund balance. The general fund balance has therefore increased from £2.9 million at 31 March 2006 to £5.7 million at 31 March 2007 and is now equivalent of 8.3 per cent of revenue expenditure.
22. The Authority has during 2007/2008 continued to receive quarterly reports on income and expenditure. The report for the period ending 31 July 2007 shows:
- an under spend of £2 million against the profiled budget to 31 July excluding Continuing Professional Development and pension liabilities that were yet to be quantified; and
 - a projected under spend of £1.98 million at 31 March 2008, again excluding Continuing Professional Development and pension liabilities.
23. The report for the period ending 30 September 2007 takes account of the previously unquantified liabilities that have now become more certain and shows a projected under spend of £794,557 at 31 March 2008.
24. We consider that the level of the general fund balance is in excess of immediate financial needs and together with the projected under spend for 2007/2008 should be reviewed as part of the budget setting process for 2008/2009. We acknowledge however that there is a proposal, set out in paragraph 66 of this Letter, to utilise some reserves to finance the new headquarters and that this will impact on the level of the general fund balance at 31 March 2008.

Although the Authority has indicated that it has delivered the required efficiency gains, it has made limited progress in capturing and measuring these effectively

25. The Auditor General has, as part of his work on Making the Connections, assessed progress across all areas of the Welsh Public Sector. Locally, we are required to assess whether the Authority's overall arrangements to achieve, measure and demonstrate efficiency gains are in accordance with the issued guidance and are being applied effectively.
26. In overall terms the Assembly Government have indicated that all public sector bodies in Wales should aim to achieve efficiency savings of 1 per cent of their revenue expenditure. For South Wales Fire Authority this equates to about £600,000.
27. Officers have informed us that this target was exceeded, although we have been unable to verify this due to an incomplete audit trail and reporting procedures.
28. The Authority should now receive a report which outlines:
 - the requirements of the efficiency gains process;
 - proposed efficiency gains to be realised together with an estimate of the amount of gain;
 - the officer responsible for achievement; and
 - the development of internal mechanisms for independent monitoring and scrutiny of the evidence to support efficiency gains projects.

The Authority has appropriate governance arrangements

29. To demonstrate financial stewardship, the Authority needs to ensure effective financial management including:
 - effective internal financial controls, such as robust standing orders and financial instructions, strong budgetary control and effective internal audit;
 - recognised standards of financial conduct;
 - appropriate arrangements to ensure that the Authority only enters into transactions where there is specific legal provision for it to do so; and
 - effective arrangements to prevent and detect fraud and corruption.
30. Our review of these areas identified:
 - that the arrangements to maintain the systems of internal control were found to be effective;
 - as in previous years, Internal Audit has met the required professional standards and our planned reliance on their work has therefore been possible;
 - the arrangements for ensuring that the Authority only enters into transactions where there is specific provision for it to do so were found to be in place and had continued to operate effectively;

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- that extensive work is continuing to address issues relating to procurement raised in previous reports; and
 - as in previous years, the ethical framework of the Authority was found to be operating effectively together with the arrangements for preventing and detecting fraud and corruption.
31. We have concluded that effective financial management arrangements are in place, although there are some less significant areas for improvement which have been reported to and actioned by management.

The Authority's significant financial systems have continued to operate effectively though there are a number of minor improvements to budgetary control which should be reviewed and implemented

32. Our review of the Authority's financial systems has involved documenting the significant financial systems and where necessary testing the operation of the internal controls. We have concluded that the Authority's significant financial systems can be relied upon to produce materially correct outputs.
33. We consider that there are some further opportunities to improve budgetary control and have recommend to officers that:
- the level of information contained in virement requests is amended to provide for a full audit trail; and
 - budget holders be reminded of the need to provide full and consistent information on reasons for variances in the monthly budget reports.

The National Fraud Initiative identified a small number of queries which the Finance Section is currently reviewing

34. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Audit Commission is responsible for the exercise in England and the Auditor General is responsible for the exercise in Wales through his appointed auditors at local government bodies.
35. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006/2007 exercise were released in January 2007 to participating bodies. Participants included the Assembly Government, Welsh unitary, Police, Fire and Probation authorities, Local Health Boards (LHBs) and NHS trusts.
36. In addition, a further NFI module is currently being progressed in Wales to match electoral register information to claims for council tax single person discounts. The purpose of this exercise is to identify fraudulent or erroneous claims for single person discount and follows highly successful pilot exercises in England. The referrals from this exercise will be released to participants in early 2008.
37. Locally there are a small number of queries being reviewed by Finance staff.

The Authority had proper arrangements in 2006/2007 to help it achieve economy, efficiency and effectiveness in its use of resources

38. The Public Audit (Wales) Act 2004 requires auditors to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This requirement is reflected in the Code.
39. Our conclusion has been reached as part of our annual audit of the accounts. We examined evidence of the existence of the Authority's corporate performance management and financial management arrangements. In this work we do not comment on or provide assurance on the effectiveness of those arrangements during the year.
40. Separate value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2006/2007 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
41. The auditor's report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2006/2007 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
42. We have concluded that in 2006/2007 the Authority had robust arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. The detailed results of our assessment are summarised in Exhibit 3.

Exhibit 3: Assessment of proper arrangements

Aspect	Arrangement	Audit Comment
Strategic and operational objectives	Has the Authority put in place arrangements for establishing, reviewing and implementing its strategic and operational objectives?	The Authority and senior management have a vision for the development of the Service.
Meeting the needs of users and taxpayers	Has the Authority put in place arrangements to ensure that services meet the needs of users and taxpayers, and for engaging with the wider community?	Our Making the Connections Work concluded the Authority has developed an incremental approach to public engagement and is well placed to translate commitment into significant implementation in the near future.

Aspect	Arrangement	Audit Comment
Internal controls	Has the Authority put in place arrangements to ensure compliance with established policies, procedures, laws and regulations?	Internal audit's review and testing of financial systems confirmed that they operated as intended during 2006/2007 and that there were no areas of limited assurance. There has been a significant reorganisation of the Service and change in officer responsibility during the last two years. Standing orders, financial regulations and the scheme of delegation are currently being reviewed to ensure they reflect the new structure and remain fit for purpose and work to address procurement issues identified in earlier audits remains ongoing.
Risk management	Has the Authority put in place arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting?	The Authority has identified its key risks and has a process for their monitoring.
Resource management	Has the Authority put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing?	Budgetary control remains effective though there is a need to ensure that the level of the general fund balance is again taken into account when determining the budget for 2008/2009.
Reviewing performance	Does the Authority have arrangements in place to monitor and review performance, including arrangements to ensure data quality?	New performance monitoring system is in place. Further links now need to be made between performance and related cost of providing the Service and the requirement to report efficiency gains.
Standards of conduct	Has the Authority ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption?	The Authority has adopted and continues to apply appropriate arrangements to secure standards of conduct and detect fraud and corruption.
Overall conclusion	Has the Authority put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources?	Yes.

The Authority's Improvement Plan was prepared and published in accordance with the Welsh Assembly Government's guidelines

43. During the past year the Fire and Rescue Authorities have continued to work with the Welsh Assembly Government (the Assembly Government) and the Wales Audit Office on the introduction of the WPI for Fire and Rescue Services. As part of this process the three Fire and Rescue Authorities in Wales agreed with the Assembly Government that they would compile and publish by 31 October 2007 an Improvement Plan. This plan sets how each Authority is intending to deliver its services and how the Authority is performing against a range of performance indicators.
44. We are required to undertake an examination of the Plan to establish whether the plan has been prepared in accordance with the relevant legislation and guidance issued by the Assembly Government.
45. Our work confirms that the Plan:
 - was published by 31 October 2007;
 - contained the required performance indicators and that they were fairly stated; and
 - complied with the Authority's Welsh Language Policy.

The Relationship Manager's report on behalf of the Auditor General for Wales

The Authority has engaged positively with the Wales Audit Office initiatives to promote improvement through shared learning and the Good Practice Exchange

46. Promoting improvement across public services through the capture, evaluation and dissemination of good practice, is a long-term approach the Wales Audit Office embarked upon during the year. Web-based facilities to support improvements in sickness absence management have been launched and the ability to access Wales Audit Office case studies and facilities to share learning across public services have been developed.
47. As part of the Improvement Study on Good Practice in Sickness Absence, the Authority has supplied information to the Wales Audit Office and will be provided with assistance in considering the opportunities around sickness absence management, linked to the Wales Audit Office Good Practice Exchange. We are also undertaking a good practice project across all three Fire and Rescue Authorities which aims to report and provide further guidance on good practice later this year. The Authority has engaged positively with our approach to good practice and the Chief Fire Officer addressed one of our Shared Learning Seminars in October 2007.

48. As sickness absence continues to be a significant issue across Welsh public services the Wales Audit Office will be maintaining its focus in this area, developing the approach of promoting improvement through the use of good practice. The sickness absence theme will be developed into the wider area of attendance management during 2007/2008 and we will build upon the relationships developed with the Authority to assist with the implementation of good practice in this area.

We are continuing to review the Authority's progress on Making the Connections

49. Through the Joint Risk Assessment, we reported last year that the Authority was making good progress in implementing the Making the Connections agenda. We included in this year's Joint Risk Assessment the findings of our work on the Authority's progress in implementing the *Making the Connections* agenda. We considered the Authority's self-assessment against the four *Making the Connections* themes using a maturity scale set out in Exhibit 4 below.

Exhibit 4: Maturity scale used to assess the Authority's progress in implementing *Making the Connections*

Aware	The Authority is aware of the key issues to be addressed but currently no, or very few approaches have been developed to address them.
Developing	The Authority recognises the key issues and is developing approaches to address them, although there has been limited practical implementation so far.
Practising	The Authority has well developed plans to address key issues, with significant examples of implementation.
Leading	The Authority can show clear evidence of good practice which can be shared and is further developing its approach to ensure long term and sustainable improvement.

50. We assessed the Authority as 'practising' for the three categories of working with others, workforce development and citizen at the centre, and 'developing' for public engagement. Public engagement emerged as a medium risk from the Joint Risk Assessment because of the risks associated with any potential failure to engage with staff, partners and communities resulting in citizens' views not being at the centre of the design of services. This could compromise modernisation and the delivery of the *Making the Connections* agenda.
51. We propose to build on this by undertaking a study into the use of assets across the Welsh public service. The potential efficiency gains from reviewing the configuration and use of assets are significant and the potential gains from joint working in this area are also significant. There is a unique opportunity to:
- promote better use of assets at the institutional and broader community level; and
 - identify and share good practice.

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52. We intend to examine asset management across the Welsh public services over a three-year period. Initially we will examine if the Welsh public services are collectively ensuring that their approach to fleet and vehicle asset management makes the best use of resources to support improvements in service delivery.

The Annual Risk Assessment identified some areas where further work is required

The Authority engaged fully with the Joint Risk Assessment process

53. The Authority has undertaken the WPI Annual Risk Assessment and agreed it with the Wales Audit Office in line with the Assembly Government's draft guidance on WPI-Fire. We confirm that the first annual Joint Risk Assessment was undertaken robustly and understand that it will inform the updated Improvement Plan for the Authority.
54. The Authority has fully engaged with the self assessment process and has been reflective in its response to the WPI.
55. The Joint Risk Assessment undertaken as part of WPI involved a self-assessment on operational assessment and a non-operational assessment undertaken by the Wales Audit Office. To its credit, the Service undertook a non-operational self-assessment before this was a requirement. The operational self-assessment was followed up by visits from members of the Assembly Government's Peer Assessment Team, accompanied by Wales Audit Office observers.

The key operational risks relate to policies and procedures, secondary fires and unwanted fire signals

56. The Peer Assessment Team noted that; South Wales Fire and Rescue Service has identified how it intends to meet its legislative responsibilities (re-prevention and protection) in its Risk Reduction and Corporate Plans, taking account of the Fire and Rescue National Framework for Wales. Recent changes in legislative fire safety have placed a duty upon the legislative fire safety department to review and develop policy to ensure the Service meets its new responsibility. To address this issue the department has identified that it needs to consolidate enforcement protocols with housing agencies regarding houses in multiple occupation, and to improve its data system to record its activities.
57. Policies and procedures are systematically reviewed. Fire Control has held ISO 9000 accreditation for its quality of service since 2002 and an independent external review of all aspects of service delivery is carried out annually in order to ensure that the required standards are being maintained. Contingency plans and fallback arrangements are in place and regularly tested.

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58. However, the Peer Assessment Team identified the need for the Service to finalise work to review and amend existing procedures to incorporate the facilities of the new VISION system. There are plans to undertake an internal review of VISION using anonymous questionnaires distributed to staff to request their views on all aspects of the system including perceived ongoing training requirements.
 59. There is evidence that the level of secondary fires is putting increasing pressure on the Service. Despite a reducing trend between 2004/2005 and 2005/2006 (9,634 to 8,806), there has been a 17 per cent rise in secondary fires between 2005/2006 and 2006/2007 which reached 10,317 in 2006/2007. There is the potential that while resources are directed to tackle secondary fires, there may be slippage in the preventative work planned by local station crews.
 60. In respect of UFS, Automatic Fire Signal statistics show a steady increase over recent years from 5,223 in 2004/2005 to 6,095 in 2006/2007. The Peer Assessment Team noted that the Service would benefit from a review of its existing policy, agreed by the Authority in 2004, regarding its method of addressing UFS, which is currently being progressed as part of Risk Reduction Planning.

While there is a clear corporate vision, workforce risks, scrutiny, member engagement and the move to a new headquarters are the key risks to delivering the Authority's vision

61. The Authority has set a clear strategic vision which is widely communicated. The Operational Assurance Report noted a clear sense of purpose and understanding amongst staff of what the organisation wants to achieve. Staff were clearly aware of their roles and of the expectations of senior managers.
62. The Authority has embraced the change in emphasis from intervention to prevention. The Authority reduced the number of accidental fire deaths to one in 2006/2007, injuries in accidental fires have also reduced significantly but deliberate fires are not reducing. The Authority is reflective and looks at itself critically to identify ways to improve.
63. Following nominations from their local authorities, members of the Authority are provided with an information pack outlining their roles and responsibilities, supplemented by a presentation. Making further improvements to scrutiny and member engagement is an issue for all three Fire and Rescue Authorities which we are taking forward through an ongoing good practice project across all three Authorities which will report through a short report and a good practice toolkit.
64. The Authority recognises the need for effective human resource (HR) management of the Service and workforce as part of the ongoing improvement and modernisation of the Service. The Authority has made progress in preparing the workforce to meet future challenges, with examples of good practice, but there appear to be inconsistencies in how the PDR system is applied across the organisation.

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65. The Joint Risk Assessment identified some evidence that staff are being affected by a large number of temporary promotions and frequent staff transfers. The risks associated with the implementation of new HR policies and development of associated protocols is linked with the need for a robust PDR system. The Joint Risk Assessment also identified the need to complete and then implement the rank to role process.
66. The Joint Risk Assessment highlighted a number of significant risks associated with the ongoing move to a new headquarters, including:
- the need for strong project management to support the move;
 - managing the proposed transfer of fire headquarters to new premises and the disposal of the existing building whilst also addressing the existing demands of the capital programme; and
 - although there has been a substantial under-spend during the last two financial years, the risk that funding the move to new headquarters may have an adverse affect on the Authority's financial standing due to the proposal to use some reserves to finance the new headquarters, and potential cash flow issues given the complex arrangements and timing.
67. The Partnership department provides liaison officers to represent the Service at the various Community Safety Partnerships (CSPs) and related working groups. It also acts as the liaison with the relevant Fire Authority members within the constituent local authorities. However, the Joint Risk Assessment highlighted the fact that the 10 unitary authorities within the Fire and Rescue Service area can pose capacity challenges that the proposed Local Service Boards' arrangements could exacerbate.
68. In common with the other two Fire and Rescue Authorities, the non-operational assessment also identified that sustainability and equalities assessments need to be carried out when the Assembly Government guidance on the requirement is clearer.

We recommend no statutory inspections this year

69. The Appointed Auditor is required each year to recommend whether, on the basis of audit work undertaken, the Wales Audit Office should carry out a Best Value Inspection of the Authority or whether the Assembly Government should recommend a course of action, referred to as 'a direction' under section 15 of the Local Government Act 1999 (the 1999 Act).
70. The Appointed Auditor does not recommend that the Auditor General should carry out a Best Value Inspection of the Authority under section 10 of the 1999 Act; and we do not recommend that the Assembly Government should give a direction under section 15 of the 1999 Act.

Appendix 1

Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2006/2007

Conclusion on the Authority's arrangements for the year ended 31 March 2007 for securing economy, efficiency and effectiveness in its use of resources

The Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Authority is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I have a responsibility under section 17(2) of the Public Audit Wales Act 2004, to conclude from my audit of the Authority's annual accounts and other relevant information whether I am satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.

Conclusion

The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2006/2007 accounts, together with any other information that I have considered to be relevant to my examination, to establish, in all significant respects, what arrangements the Authority had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

Based on the Authority's Statement of Internal Control (SIC) and as a result of the work carried out, as described above, as part of my audit of the 2006/2007 accounts, and all other information that I have considered to be relevant, I am [not] satisfied overall as to the existence of the arrangements that the Authority had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. I have also raised various issues with the Authority, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter.

Gill Lewis
Appointed Auditor
December 2007

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Appendix 2

Criteria for assessing the Authority's arrangements during 2006/2007 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
Establishing objectives, determining policy and making decisions	Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
Meeting needs of users and taxpayers	Has the Authority put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Compliance with established policies	Has the Authority put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Managing operational and financial risks	Has the Authority put in place arrangements to manage its significant business risks?
Managing financial and other resources	Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	Has the Authority put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities?
	Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	Has the Authority put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Authority?
	Has the Authority put in place arrangements for the management of its asset base?
Monitoring and reviewing performance	Has the Authority put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the Authority?
	Has the Authority put in place arrangements to monitor the quality of its published performance information, and to report the results to Authority members?
Proper standards of conduct etc	Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?


Appendix 3

Audit and inspection fees

Your 2006/2007 audit and inspection fees were based on the risks identified and an assessment of the work needed to address those risks. They are currently expected to be in line with those set out in your Regulatory Plan as summarised below.

Audit and Inspection fees 2006/2007 (excluding VAT)

	2006/2007 planned (£)	2006/2007 expected actual (£)
Accounts	17,950	17,950
Performance audit	25,044	25,044
Performance inspection	9,740	9,740
Total	52,734	52,734



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