



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17

South Wales Fire and Rescue Authority

Issued: December 2017

Document reference: 292A2017-18



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Andy Bruce, Ron Price 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, 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.

Together with appointed auditors, 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

2016-17 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 2016-17	5

Appendices

Appendix 1 – Status of this report	11
Appendix 2 – Annual Audit Letter	12
Appendix 3 – National report recommendations 2016-17	15

Summary report

2016-17 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 South Wales Fire and Rescue Authority's (the Authority) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all authorities including improvement planning and reporting. At some authorities, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 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 2017-18.

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, a number of proposals for improvement have been made 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 2016-17

Exhibit 1 – Audit, regulatory and inspection work reported during 2016-17

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
Use of resources			
January 2017	<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 complied with its responsibilities relating to financial reporting and use of resources. I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. 	None.

Issue date	Brief description	Conclusions	Proposals for improvement
Local risk-based performance audit			
October 2017	Review of asset management arrangements Review of the Authority's published plans for delivering on improvement objectives.	Clear and well-defined governance arrangements help the Authority to effectively manage its land and building assets so that they are fit for operational purpose although there is scope to further improve: We reached this conclusion because: <ul style="list-style-type: none"> • clear governance arrangements and plans helps the Authority to deliver its strategic asset management objectives for land and buildings; • buildings are fit for purpose and well maintained and the Service is exploring opportunities to collaborate and co-locate with other emergency services in the future; and • the Authority regularly evaluates its investment in land and buildings but little comparison is made to measure progress with similar organisations. 	P1 Agreeing common measures with the other Welsh Fire and Rescue Authorities to assess key indicators around land and buildings to enable comparison of performance and the identification of developing trends; and P2 Implementing the recommendations made in the internal audit report of November 2016 within the set timescales. The recommendations were <ul style="list-style-type: none"> • an action plan needs to be produced to record and enable monitoring of the work of the Estates Project Review Group; and • a defined process for updating asset and property condition records is not currently in place.
Improvement planning and reporting			
June 2016	Wales Audit Office annual improvement plan audit Review of the Authority's published plans for delivering on improvement objectives.	The Authority has complied with its statutory improvement planning duties.	None.

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
November 2016	<p>Wales Audit Office 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.
2015-16 Follow-up work	<p>During 2015-16, we reviewed the Authority's fire safety arrangements to assess the way in which activity was planned; how it was being delivered and, whether the efficiency and effectiveness of activity could be evaluated.</p> <p>The following proposals for improvement were made:</p> <p>P1 At national level develop and agree principles on how to evaluate the success and outcomes of current interventions, events and prevention work that has regard to:</p> <ul style="list-style-type: none"> • relevance – the extent to which interventions produce meaningful outcomes. • capacity and capability – the effective use of resources. • efficiency – a measure of how resources and inputs are converted into results and outcomes. • effectiveness – the extent to which interventions were achieved or are expected to be achieved taking into account their relative importance. • sustainability – continuation of benefits after initial inputs have been completed. The probability of long-term benefits. • value for money – how does one input cost get balanced with other initiative • equalities issues. 	<p>The fire safety arrangements report was accepted by the Authority in December 2016.</p> <p>The two proposals for improvement are included in the Authority's finance, audit and performance committee cycle for monitoring progress and action.</p>	We will continue to monitor progress as part of our 2017-18 improvement assessment.

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
2015-16 Follow-up work	<p>During 2015-16, we reviewed the Authority's fire safety arrangements to assess the way in which activity was planned; how it was being delivered and whether the efficiency and effectiveness of activity could be evaluated.</p> <p>The following proposals for improvement were made:</p> <p>P2 At national level, establish arrangements with the Welsh Ambulance Services NHS Trust (WAST) and relevant health boards to identify the extent of unreported injuries resulting from fires to enable identification of potentially vulnerable people or higher risk premises.</p>		

Issue date	Brief description	Conclusions	Proposals for improvement
Reviews by inspection and regulation bodies			
July 2017	<p>Chief Fire and Rescue</p> <p>During early 2017, the Chief Fire and Rescue Adviser conducted a thematic review: 'Learning lessons to avoid safety critical incidents' – How well do Fire and Rescue Authorities in Wales learn lessons from incidents to improve public and firefighter safety?</p>	<p>A review was undertaken of the three Fire and Rescue Authorities (FRAs) which focused on how well they analysed accidents and near misses, and disseminated lessons learned to their employees. The report highlights areas of good practice and provides recommendations for improvement to ensure FRAs build on the identified learning to continually improve their processes.</p> <p>The full report is available on the Chief Fire and Rescue Adviser's website.</p>	<p>The following recommendations were made:</p> <ol style="list-style-type: none"> 1 Once an initial gap analysis has been undertaken following the receipt of learning from an external source, FRAs should ensure that the process is properly recorded. The recording of the decision-making process in relation to adopting, or not adopting, national recommendations is essential. 2 FRAs should ensure that risk-critical learning is cascaded through the organisation in a timely manner, focusing on those staff to whom the learning will have the greatest benefit from a risk-reduction perspective. 3 FRAs should ensure that the mediums used to communicate learning to various staff groups is appropriate to their needs, clearly set out the reasons for bringing it to their attention and are told in a format and manner that will be retained by the audience. Consideration should also be given to building in a 360-degree approach to inform those raising issues when significant changes are to be made. 4 FRAs should look to introduce quality assurance systems that regularly test how well risk-critical learning is received and retained.

Issue date	Brief description	Conclusions	Proposals for improvement
Reviews by inspection and regulation bodies (continued)			
			<p>5 FRAs should ensure that the wealth of information derived through the Hot Debriefing processes is captured and shared where appropriate.</p> <p>6 FRAs should review their ARA processes to ensure they are fit for purpose and that they feed into the wider processes of capturing organisational learning.</p> <p>7 FRAs should ensure that learning in risk critical environments is maximised through realistic training especially given the decline in 'fire' incidents over the past few years. It is also important that this training is carried out by personnel working together within their normal crews.</p> <p>8 The report highlights a number of areas of good practice and where systems being developed show much potential for the future. It is recommended that these systems and processes, in particular those policies on operational monitoring and assurance, are shared through the NIC to adopt a common approach and to avoid duplication of effort.</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 D T Davies
Chair of the South Wales Fire and Rescue Authority
Forest View Business Park
Llantrisant
CF72 8LX

Reference: 710A2016

Date issued: 24 January 2017

Dear Councillor Davies

Annual Audit Letter – South 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 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 21 December 2016 I issued an unqualified audit opinion on the financial 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 Fire Authority members on 19 December 2016 through my Audit of Financial Statements Report. The most important audit matters, which the Authority has now resolved or will resolve when it starts to prepare its 2016-17 financial statements, were:

- the poor quality of aspects of the draft financial statements and the supporting records, and their compliance with the CIPFA/LASAAC's Code of Practice;
- the high number of accounting adjustments that were made manually, outside of the Authority's financial ledger;
- the lack of an adequate asset register for the Authority's equipment assets and the lack of a process to identify their disposal; and
- the lack of an up-to-date valuation of one significant property asset.

I issued a certificate confirming that the audit of the accounts has been completed on 21 December 2016.

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, we had to carry out a significant amount of additional work, particularly in order to gain sufficient audit assurance over the Authority's non-current assets. Consequently, fees of £27,000 will be charged in addition to the fee estimate of £38,000 set out in the Annual Audit Plan for 2015-16. The fee estimate for 2016-17 will be 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 2016-17**.

Yours sincerely

Mark Jones

For and on behalf of the Auditor General for Wales

cc. Huw Jakeway, Chief Fire Officer
Chris Barton, Treasurer

Appendix 3

National report recommendations 2016-17

Exhibit 3 – National report recommendations 2016-17

Date of report	Title of review	Recommendation
October 2016	<u>Community Safety in Wales</u>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> • developing plans and priorities for community safety; • agreeing priorities for action; and • reporting performance and evaluating impact.

Date of report	Title of review	Recommendation
January 2017	<u>Local Authority Funding of Third Sector Services</u>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third-sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that local authority and third-sector officers use the <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice; • identify where improvements in joint working are required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third-sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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