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Councillor Dylan Rees, Chair of the Fire & Rescue Authority,
Helen MacArthur, Assistant Chief Fire Officer (Finance & Resources),
North Wales Fire & Rescue Authority,
Ffordd Salesbury, St Asaph Business Park,
St Asaph,
Denbighshire,
LL17 0JJ

Date issued: 16 May 2025

Issued via email

Dear Dylan and Helen,

Audit enquiries to those charged with governance and management

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management North Wales Fire & Rescue Authority and 'those charged with governance' (the Fire & Rescue Authority).

I have set out below the areas of governance on which I am seeking your views:

1. Matters in relation to fraud
2. Matters in relation to laws and regulations
3. Matters in relation to related parties

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

The information you provide will inform our understanding of North Wales Fire & Rescue Authority and its business processes and support our work in providing an audit opinion on your 2024-25 financial statements.

I would be grateful if you could update the attached table in [Appendix 1 to Appendix 3](#) for 2024-25.

The completed [Appendix 1 to Appendix 3](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by 20/06/2025. In the meantime, if you have queries, please contact me on 02920 829375 or carwyn.rees@audit.wales.

Yours sincerely

A handwritten signature in black ink, reading 'C. Rees' in a cursive style.

Carwyn Rees
Audit Manager

Appendix 1

Matters in relation to fraud

International Standard for Auditing (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which is the Fire & Rescue Authority. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- The intentional misappropriation of assets (cash, property, etc); or
- The intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, management's process for identifying and responding to the risks and the internal controls established to mitigate them.

Question	2024-25 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud? What is the nature, extent and frequency of management's assessment?</p>	<p>Our assessment indicates that due to the appropriate controls the risk of material misstatement as a result of fraud is low:</p> <ul style="list-style-type: none"> • There are no allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others. • Senior personnel have a high degree of knowledge and awareness • Access to cash and significant payments is limited. • The Service participates in the NFI process which with no concerns noted in relation to internal controls • Robust procedures are in place in respect of staff recruitment and management with Internal Audit reviews providing assurance that arrangements are operating as expected • Dedicated professional standards within Finance department • Appropriate policies and procedures are adopted, including the operation of internal controls and maintenance of asset registration processes

Question	2024-25 Response
	<ul style="list-style-type: none"> Financial Regulations are in place and financial procedures include key controls such financial scheme of delegation, contract procedure rules, separation of duties and authorisation limits. Management reliance is placed on budgetary control processes, analytical review and internal audit reviews.
2. Do you have knowledge of any actual, suspected or alleged fraud affecting the audited body?	It is confirmed that management do not have any knowledge of any suspected fraud or allegations.
3. What is management's process for identifying and responding to the risks of fraud in the audited body, including any specific risks of fraud that management has identified or that have been brought to its attention?	<p>It is considered that there is a high level of management awareness, with key risks identified on the corporate risk register. The Authority has a robust whistle-blowing policy and the roles of the statutory officers and internal audit are clearly defined and understood.</p> <p>There is regular scrutiny of budget lines, segregation of duties in arrangements, and controlled use of electronic payments, with a clear audit trail. Robust</p>

Question	2024-25 Response
	<p>arrangements are in place governing the procurement arrangements with a recent review by Internal Audit.</p> <p>Robust checks are in place for new employees paid via the payroll system and for setting up new suppliers on the accounts payable system, within Internal Assurance on the existence and operation of key controls.</p> <p>All invoices are subject to approval in accordance with the Service's financial scheme of delegation which is embedded within the TechOne financial system. Matters of concern would be raised internally within Finance and escalated to the ACFO Finance & Resources or the Authority's Treasurer as appropriate</p>
<p>4. What classes of transactions, account balances and disclosures have you identified as most at risk of fraud?</p>	<p>It is considered that there is a risk of fraud in the following areas:</p> <p>Payroll – mitigated through checks on employment</p>

Question	2024-25 Response
	<p>Creditors – mitigated through processes to ensure that changes to supplier details and bank details are properly managed. A financial scheme of delegation is in place to ensure that orders approved prior with receipting arrangements to confirm goods are received.</p> <p>Contract fraud – mitigated through the use of frameworks and tenders where appropriate due diligence is undertaken prior to award. All contracts are reviewed by the Service's Procurement Manager.</p> <p>Pensions – mitigated through ID checks prior to processing (e.g. birth certificate and marriage certificate). Further checks are undertaken by the administrator to cross match pension payments with death records.</p> <p>Cyber Security - mitigated through training, using strong passwords, installing firewalls, and being one of the first authorities to onboard Socura / CymruSOC cloud-based SOC service (security operations centre). The Service is also part of the all Wales CAF Group.</p>

Question	2024-25 Response
5. Are you aware of any whistleblowing or complaints by potential whistle blowers? If so, what has been the audited body's response?	No such complaints have been received
6. What is management's communication, if any, to those charged with governance regarding their processes for identifying and responding to risks of fraud?	<p>The Budget Scrutiny Working Group receives a conformance report in relation to compliance with key financial regulations and requirements. The Audit Committee receives the reports produced by the Authority's internal auditors.</p> <p>In addition, the Fire and Rescue Authority receives the Annual Governance Statement and the annual reports of internal audit.</p>
7. What is management's communication, if any, to employees regarding their views on business practices and ethical behaviour?	The Service has a Financial Scheme of Delegation which is embedded via system controls within the Financial Systems. Finance provide advice and guidance to staff via newsletters and specific guidance notes (e.g. Lloyds Corporate Cards & mileage returns). Ongoing training has been provided to Budget Holders and Managers. Key contacts have been identified within each department to receive procurement training. The contract procedure rules have been updated to

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Question	2024-25 Response
	<p>reflect current procurement legislation and set out the required standards in relation to contracts and financial governance is monitored through the Service's Finance and Procurement Committee which is part of the Service's internal governance structure.</p>
<p>8. For service organisations, have you reported any fraud to the user entity?</p>	<p>No</p>

Enquiries of those charged with governance – in relation to fraud

Question	2024-25 Response
1. Do you have any knowledge of actual, suspected or alleged fraud affecting the audited body?	No cases of suspected fraud are known to the Authority at this time.
2. What is your assessment of the risk of fraud within the audited body, including those risks that are specific to the audited body's business sector?	<p>Our assessment of the risk of fraud within North Wales Fire & Rescue Authority is low. There are appropriate controls in financial systems, and statutory officers (Chief Fire Officer, Monitoring Officer and Section 151 Officer) report regularly to the Authority. Internal audit also reports to the Authority. No alleged fraud has been reported.</p> <p>Employment – reliance is placed on due diligence within the recruitment process. This includes obtaining references and verifying qualifications and membership of professional bodies by reference to original certificates. All staff are required to disclose secondary employment, and the Authority participates in the NFI with no issues previously identified. All absences are monitored with arrangements for management intervention on</p>

Enquiries of those charged with governance – in relation to fraud

Question	2024-25 Response
	<p>multiple short-term absences or any absence over 28 days.</p> <p>Work related accidents – Robust arrangements exist for the reporting, investigation and assessment of all work-related incidents. Those which progress to a claim are managed by external claims managers working on behalf of the Authority and the insurer. This ensure that all cases are fully evidenced.</p> <p>Supplier payments – Reliance is placed on the arrangements in place for setting up of suppliers, the underlying procurement controls and the requirement for purchase orders. This provides a clear audit trail.</p>

3. How do you exercise oversight of:

- management's processes for identifying and responding to the risk of fraud in the audited body, and
- the controls that management has established to mitigate these risks?

There are regular meetings between Internal Audit (which assesses the environment in terms of the Authority's internal controls and controls in systems, and who would carry out investigative functions as required) and the Assistant Chief Officer (Finance and Resources). Those meetings also include the Section 151 Officer as necessary.

The Authority's Section 151 Officer is present at all Authority meetings.

The Internal Audit Manager reports independently to the Authority's Audit Committee.

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance, is responsible for ensuring that North Wales Fire & Rescue Authority's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make enquiries of management and those charged with governance as to whether North Wales Fire & Rescue Authority is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations

Question	2024-25 Response
<p>1. Is the audited body in compliance with relevant laws and regulations? How have you gained assurance that all relevant laws and regulations have been complied with? Are there any policies or procedures in place?</p>	<p>The Service operates an internal governance structure which includes committees and groups covering all aspects of activity. This includes reviewing and addressing any new legislation or regulatory matters.</p> <p>The Service has been addressing a number of regulatory matters in relation to pensions. These are national issues arising from legal challenges and for which primary and secondary legislation has been necessary. The McCloud judgment addresses the age discrimination within the pension scheme changes introduced in 2015 and requires that all staff within scope are provided with a remedial service statement by 31st March. Due to the complexity and workload arising the Authority has not been able to meet this deadline and has reported itself to the Pensions Regulator. This matter has been reported to both the Local Pension Board and the Fire Authority.</p>

Enquiries of management – in relation to laws and regulations

Question	2024-25 Response
	<p>Other than the issue relating to compliance with the timescales for the processing of the pension reforms above, no further issues have been identified which need to be highlighted. Managers and staff receive relevant information and training relevant to their role, and experienced statutory officers are employed. The Authority purchases expertise where necessary, i.e. where there is a lack of in-house expertise (e.g. use of external lawyers in relation to employment matters).</p> <p>The Authority places reliance on the overall governance arrangements in place to provide assurance that relevant laws and regulations are complied with. This includes a documented constitution which provides delegation for day to day operational matters to the Chief Fire Officer. The constitution also includes reserved matters as required.</p>

Enquiries of management – in relation to laws and regulations

Question	2024-25 Response
	<p>The Authority has established Committees comprising of the Audit Committee, the Executive Panel and the Local Pension Board. In addition, the Standards Committee is formed and functioning.</p> <p>The Authority is assisted by the Monitoring Officer and Treasurer who provide professional input and due diligence. Internal Audit arrangements are also in place.</p> <p>At a Service Level there is a documented assurance framework which includes a Service Leadership Team with a range of Committees and Groups. These have nominated Chairs, agreed terms of reference and reporting arrangements.</p> <p>Internally there are reporting arrangements to capture incidents and near misses, and a documented procedure for complaints.</p>

Enquiries of management – in relation to laws and regulations

Question	2024-25 Response
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations in the financial year, or earlier with an ongoing impact on this year's audited financial statements?	We are not aware of any suspected non-compliance with relevant laws and regulations that would materially affect the 2024-25 financial statements. The pensions matter referred to above is not considered to have a financial effect; the liabilities arising have been included within the GAD valuations which are reflected in the Pension Fund.
3. Are there any potential litigations or claims that would affect the financial statements?	<p>No, we are not aware of any suspected non-compliance with relevant laws and regulations that would materially affect the 2024-25 financial statements.</p> <p>The Authority does not self-insure in respect of any liabilities and insurance arrangements are in place. All claims are notified to Finance and provision made for the insurance excess as appropriate.</p>

Enquiries of management – in relation to laws and regulations

Question	2024-25 Response
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	The Authority was subject to a number of routine compliance inspections in recent years (most recently in 23/24). No issues were identified which would indicate non-compliance.

Enquiries of those charged with governance – in relation to laws and regulations

Question	2024-25 Response
1. Are you aware of any non-compliance with laws and regulations that may be expected to have a fundamental effect on the operations of the entity?	No, the Authority is not aware of any such non-compliance during 2024/25 (i.e. that would be expected to have a fundamental effect on the operations of the entity).

Enquiries of those charged with governance – in relation to laws and regulations

Question	2024-25 Response
<p>2. How does the Fire & Rescue Authority, in your role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?</p>	<p>There is a delegation plan in place, and the officers are trusted to follow the expected arrangements. Otherwise, the Chief Fire Officer, the ACFOs, the Monitoring Officer, the Section 151 Officer, or internal audit would have reported to the Authority.</p> <p>The Annual Governance Statement is provided which gives assurance to the Authority that the delegation plan for officers is implemented appropriately.</p>

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties

Question	2024-25 Response
1. Have there been any changes to related parties from the prior year? If so, what is the identity of the related parties and the nature of those relationships? Confirm these have been disclosed to the auditor.	All members and senior officers are required to disclose their related parties, and any transactions are confirmed during the production of the Statement of Account. No issues of note have been identified which require disclosure. All declarations have been received for the 24/25 financial year.
2. What transactions have been entered into with related parties during the period? What is the purpose of these transactions? Confirm these have been disclosed to the auditor.	During the preparation of the financial statements a full check of all related party declarations is undertaken and cross referenced to supplier payments. No existing issues are known.
3. What controls are in place to identify, account for and disclose related party transactions and relationships?	Disclosures in the annual Statement of Accounts include external relationships and relevant interests. This information is requested annually from the Members and senior managers in order to include material transactions in the Statement of Accounts. The annual review and declaration procedure to identify the interests of members and senior officers has been strengthened in recent years.

Enquiries of management – in relation to related parties

Question	2024-25 Response
<p>4. What controls are in place to authorise and approve significant transactions and arrangements:</p> <ul style="list-style-type: none">• with related parties, and• outside the normal course of business?	<p>The contract procedure rules were recently updated and provide the framework of control, and all contracts are subject to the value for money requirement which would involve quotes, tenders or recognised procurement frameworks. Deviation from the contract procedure rules is permitted although further controls are in place through the use of the single tender waiver process. This requires further financial due diligence checks to be performed and sign off by the Head of Finance or ACFO as appropriate. Notably any evidence of personal relationships between the contracting officer and the third-party supplier would be subject to further investigation.</p>

Enquiries of those charged with governance – in relation to related parties

Question	2024-25 Response
1. How does the Fire & Rescue Authority, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?	<p>The annual review and declaration procedures that are in place ensure that the Authority fulfils this role.</p> <p>Members of the Authority, when reviewing the draft Statement of Accounts, are always vigilant in relation to this duty. Reliance is placed on the underpinning arrangements which include full disclosure by senior staff and members of the Fire and Rescue Authority of employment, business interests and land holdings. This provides transparency of the underlying risks, and these are managed via the contract procedure rules in place.</p> <p>The production of the financial statements includes a review of all disclosures to identify any relevant transactions that require disclosure. Where there are any queries or concerns these would be escalated internally to the ACFO Finance and Resources in the first instance and advice sought from the Treasurer or Monitoring Officer as appropriate.</p>