

# *NORTH WALES FIRE AUTHORITY*

## **STATEMENT OF ACCOUNTS 2006-2007**

### **C O N T E N T S**

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## **EXPLANATORY FOREWORD**

1. In 2004 WAG produced a Fire and Rescue National Framework, which provides operational guidance for Fire and Rescue Services in Wales. The National Framework seeks to expand the role of Fire and Rescue Services in Wales in relation to prevention, education and engaging with the communities they serve whilst ensuring that their reactive firefighting capability is not compromised.

The North Wales Fire and Rescue Service produces annual action plans for managing down risks with increasing emphasis on prevention and education. The Service is also actively engaged in working with the communities it serves, an example of which is the approval by the Fire Authority to convert Rhyl Fire Station into a Community Fire Station. The Fire Authority has also developed partnership working with other emergency services, for example, the property portfolio is now managed by the new Facilities Management Department operated by North Wales Police, and there is an agreement to move Fire Service Control into a shared facility with the Police at St Asaph.

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position and the financial performance of the North Wales Fire Authority for the financial year 2006-07. In compliance with UK General Accepted Accounting Practice (GAAP) the layout of the accounts and the names of some of the financial statements have changed for 2006-07. The Consolidated Revenue Account has been replaced by the Income and Expenditure account and the Statement of Movement on the General Fund Balance. There is an additional statement, the Statement of Total recognised Gains and Losses, the purpose of which is explained below. The financial statements now appear together followed by notes to the Core Financial Statements.

- 2(a). The statements and their purposes are as follows:-

- (i) **Statement of Accounting Policies**  
This sets out the principles and policies upon which the Authority's accounts have been prepared.
- (ii) **Income and Expenditure Account**  
This summarises the resources generated and consumed by the Authority in the year.
- (iii) **Statement of the Movement on the General Fund Balance**  
A reconciliation showing how the balance of resources generated and consumed in the year links in with the contributions from the constituent authorities.
- (iv) **Statement of Total Recognised Gains and Losses**  
This demonstrates how the movement in net worth in the balance sheet is identified to the Income and Expenditure Account deficit and to other unrealised gains and losses.
- (v) **Balance Sheet**  
The Consolidated Balance Sheet describes the financial position of the Authority.
- (vi) **Cashflow Statement**  
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third-parties for revenue and capital purposes.

(vii) **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Treasurer and the Chairman of the Fire Authority as regards the Statement of Accounts.

- 2(b). The Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, and Cash Flow Statement are supported by notes which provide additional information. The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting in Great Britain (2006) and the Best Value Accounting Code of Practice (2006), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit (Wales) Regulations 2005.

3. **SUMMARY OF FINANCIAL YEAR 2006-2007**(i) **Revenue Expenditure 2006-2007**

The budget for the year was approved by Members of the Fire Authority at £29,349,655. The actual expenditure was higher than budgeted and the Authority was overspent by £121,482. The overspend was funded from money held in the Pension Provision, £85,321, and the balance on the Audit Provision of £36,161 so it will not be necessary to ask the Unitary Authorities for further funding. Part of the Pension Provision was earmarked to cover the excess cost of commutations in 2006-07 this has not been utilised so can be used to cover the overspend. The Audit Provision was set up primarily to fund work on the Statement of Internal Control, this work was carried out in 2006-07 thus the balance on the provision is no longer required. A report to Members in March 2007 estimated that the outturn for 2006-07 would be an overspend of £143,385. The table below outlines the main areas of overspend and the underspends that have been used to offset them.

| <b><i>Overspends</i></b>    | <b><i>£'000</i></b> | <b><i>Underspends</i></b> | <b><i>£'000</i></b> |
|-----------------------------|---------------------|---------------------------|---------------------|
| Premises Costs              | 87                  | Staff Costs               | 20                  |
| Transport Costs             | 60                  | Local Taxation            | 44                  |
| Community Fire Safety       | 38                  | Debt Charges              | 115                 |
| Other Supplies and Services | 56                  | Investment Income         | 32                  |
| Third Party Payments        | 104                 | Additional Income         | 13                  |
| <b>Total</b>                | <b>345</b>          |                           | <b>224</b>          |
| <b>Net Overspend</b>        |                     |                           | <b>121</b>          |

(ii) **Capital Expenditure 2006-2007**

During the year the Authority spent £1,785,839 on capital projects as follows:-

|                                  | £                |
|----------------------------------|------------------|
| <b>Buildings</b>                 |                  |
| Training Facilities Colwyn Bay   | 3,162            |
| Caernarfon County Offices        | 21,413           |
| Remodel Harlech                  | 20,500           |
| Remodel Llangefni                | 835              |
| Remodel Llandudno                | 420,234          |
| Remodel Beaumaris                | 4,102            |
| Remodel Llanberis                | 59,373           |
| Remodel Johnstown                | 2,574            |
| Remodel Flint                    | 136,670          |
| Remodel Rhyl                     | 115,747          |
| Minor Building Works             | 114,719          |
| Hydrant Installations            | 7,043            |
| <b>Vehicles and Equipment</b>    |                  |
| Water Tenders                    | 92,921           |
| Light Vehicles                   | 348,011          |
| Exhibition Unit                  | 51,090           |
| Driver Training Vehicle          | 80,576           |
| Upgrade Vehicles                 | 44,293           |
| Appliance Equipment              | 146,985          |
| Other Equipment                  | 115,591          |
| <b>TOTAL CAPITAL EXPENDITURE</b> | <b>1,785,839</b> |

Expenditure on the capital programme in 2006-2007 was less than forecasted due to slippage on a number of building projects and delays on the vehicle replacement programme, specifically on water tenders. These schemes, approximate value £2.4m, will be rolled over to 2007-2008.

Under the Prudential Code the Authority can finance the capital programme in accordance with whichever method of financing is most cost effective. In 2006-2007 the capital programme was financed mainly by loans from the Public Works Loan Board and grants of £211,575. No new loans were raised within the year due to advance borrowing in 2005-06.

(iii) **Balance Sheet 2006-2007**

All buildings, vehicles and equipment that are owned by the Fire Authority are allocated an asset life and are depreciated over that expected life; this is shown in Note 11 to the Core Financial Statements. The increase in borrowing is dependant upon a number of factors; the amount of capital expenditure to be financed by borrowing and the loan debt repaid as part of the Minimum Revenue Provision. The Authority's loan debt at 31 March 2007 was £8.513m.

FRS17 was introduced to ensure that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. A full charge is made to the revenue account for the current cost of service and an entry in the

Balance Sheet to reflect the Authority's pension liability. The estimated pension liability for the North Wales Fire Authority at 31 March 2007 is £171,268m, a decrease of £1,874m. The decrease is due partly to the change in the discount rate used by the Actuary when assessing the value of the pension liability, this is explained further under the Statement of Accounting Policies.

(iv) **Cash Flow**

The Fire Authority is funded from contributions from six Constituent Local Authorities, the contributions are received on a monthly basis and are used to fund expenditure.

(v) **Provisions and Liabilities**

The Authority holds a number of provisions to meet known future liabilities as they arise. The balance at the beginning of the year was £2.7m and at the end of the year £0.94m. The balance on the larger provision, the Pension Provision, at 31 March 2007 is £0.58m a reduction of £1.37m of which £1m has been repaid to the constituent authorities with the remainder being used to fund the overspend, support the control re-location project and support the budget for 2006-07. Other provisions have been utilised according to the purpose for which they were set up. Further details of the provisions held are included in a note to the core financial statements.

(vi) **Capital Financing Costs**

The charge made to the service revenue accounts to reflect the cost of fixed assets used in the provision of services was £883,889. This is a notional charge for depreciation and an adjustment is made to the year end balance so the contributions required to fund the service are not affected. In previous years the revenue account was also charged with a notional interest charge to reflect the services use of assets, in accordance with the CIPFA Statement of Recommended Practice (the SORP) this is no longer a requirement for 2006-07 onwards. The actual cost to the service for financing capital is £379,033 for loan interest and £528,467 Minimum Revenue Provision and Voluntary Revenue Provision.

4. **ADDITIONAL INFORMATION**

Additional information about these accounts is available from the Treasurer to the Fire Authority at Bodlondeb, Conwy. Interested members of the public also have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press and on both the websites for North Wales Fire Authority ([www.nwales-fireservice.org.uk](http://www.nwales-fireservice.org.uk)) and Conwy County Borough Council ([www.conwy.gov.uk](http://www.conwy.gov.uk)).

**K W FINCH** CPFA IRRV  
**Treasurer to the Fire Authority**

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

### **CHAIRMAN'S CERTIFICATE STATEMENT OF ACCOUNTS 2006/2007**

Approved at the meeting of the Executive Panel of the North Wales Fire Authority on XX September 2007 presided over by the Chairman of the Fire Authority.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_

*Chairman, North Wales Fire Authority*

### **THE TREASURER'S RESPONSIBILITIES**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Treasurer has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **TREASURER'S CERTIFICATE STATEMENT OF ACCOUNTS 2006/2007**

A Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations (Wales) 2005.

SIGNED: \_\_\_\_\_ DATED: \_\_\_\_\_

**K W FINCH CPFA IRRV**

*Treasurer to the Fire Authority*

## **STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

North Wales Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

### **The purpose of the System of Internal Control**

A system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable assurance of effectiveness. The Authority's system of internal control is designed to:

- identify and prioritise actions to address the risks to the achievement of the Authority's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised;
- evaluate the impact should those risks be realised; and
- manage them economically, efficiently and effectively.

A system of internal control has been in place within North Wales Fire and Rescue Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with good practice. However, the system is not static and improvements are made during the year.

### **The internal control environment**

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to:

- establish and monitor the achievement of the Authority's key objectives;
- facilitate policy and decision making;
- ensure compliance with established policies, procedures, laws and regulations;
- identify, assess and manage the risks to the Authority's objectives including risk management;
- ensure the economical, effective and use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;
- provide appropriate financial management of the Authority and the reporting of financial management; and
- ensure adequate performance management of the Authority and the reporting of performance management.

### **Financial management**

We have developed robust arrangements to ensure that our financial management is robust and fit for purpose. These arrangements include:

- a clear segregation of responsibilities between our management accounting function, undertaken at Headquarters, and our financial accounting arrangements, which are undertaken through our Service Level Agreement (SLA) by Conwy County Council;

- The Authority annually reviews and approves the budget, which has been developed and informed by officers, in consultation with Heads of Departments;
- The Authority receives quarterly budget monitoring reports, and the Executive Group reviews the budget in detail every 6 weeks;
- We have developed a three year capital programme, enabling us to have a short, medium and long term approach to capital planning;
- We have adopted a three year budgetary forecast which is considered in our service planning process;
- The Authority reviews and approves the Treasury Management Policy, and our borrowing requirements annually;
- We have effective SLAs with Flintshire County Council for pension management and Conwy County Borough Council for financial services, providing the Authority with specialist technical knowledge;
- We review our financial regulations and standing orders on a timely basis;
- The financial responsibilities for the Authority are undertaken by well trained and experienced personnel, and staff have clear supervisory and reporting lines;

### **Performance management**

We are committed to continuously developing our performance management framework and have implemented important components of our framework. We realise this is an ever developing area and we are confident of continuing to make progress in this area. We have already established the following:

- We outline our strategic objectives and proposals to achieve these in our Risk Reduction Plan annually. We track our progress in these areas throughout the year, with reports being submitted to the Executive Group and Executive Panel;
- We continue to collect and monitor our suite of Best Value Performance Indicators, setting stretched targets against these each year. We prepare monthly reports reflecting progress against these for the Risk Reduction Forum, and quarterly reports for the Executive Panel;
- We benchmark our performance annually against our 'family group' of fire and rescue services, and publish this in our Improvement Plan;
- We have introduced arrangements to prepare departmental and county plans that allow our overall aims and objectives to be cascaded throughout the service. We monitor progress against these plans every six weeks through the Risk Reduction Forum;
- We have completed a self assessment on 'operational assurance' which has been peer reviewed by a team from the other two Welsh fire and rescue services. We will take actions arising from this review forward, both within the service, and also collaboratively with the other two fire and rescue services;
- We have procured a new performance management system to improve our collation and availability for staff throughout the service, in order to make more effective and efficient use of our resources.

### **Corporate governance**

The Authority is committed to maintaining the highest standards of conduct for its members and staff. We have put in place arrangements to maintain and monitor these standards, including:

- We have a scheme of delegation of decision making powers from the Authority to the Chief Fire Officer;
- Terms of reference have been introduced, are reviewed and approved for the Authority, Executive Panel and Standards Committee, which outline clearly their remit and decision making powers;
- We have reviewed and amended our corporate governance structure. The Authority is constituted from members from each of the six constituent authorities and is responsible for the strategic direction of the service. An Executive Panel has been established which allows policies to be scrutinised at an earlier stage by a panel of fourteen members, drawn equably from each local authority.

- Specific policy can be considered through working groups which we constitute for a particular reason, for example, development of our Risk Reduction Plan;
- A Standards Committee, chaired by an independent member is responsible for investigating conduct issues concerning members of the Authority;
- The senior management structure has been reviewed and amended. The Executive Group consists of the Chief Fire Officer, the Deputy Chief Fire Officer, two Assistant Chief Fire Officers and an Assistant Chief Officer. The group meets every six weeks, and there are standing items on the agenda, including performance, risk and financial management;
- Fora for developing policy have been introduced, being for Risk Reduction, People Development and Strategic Asset Management. These are the main fora for developing, monitoring and managing policy development within the service.

### **Risk management**

In the past, we have recognised the need to develop a more integrated risk-based approach to strengthen our financial and service planning arrangements, which would consequently strengthen our overall internal control arrangements. We recognise we still have some way to go to strengthen the corporate risk management arrangements within the service, but have made a number of important steps to achieve this:

- We have prepared a corporate Risk Management policy;
- Working in conjunction with Heads of Department, we have prepared a comprehensive corporate risk register;
- The Risk Reduction Forum is responsible for monitoring, updating and managing the Risk Register at each of its six weekly meetings;
- We annually prepare a Risk Reduction Plan which outlines proposals and updates our progress to deliver our services efficiently, effectively and economically;
- We make use of a wide range of data including demographic, economic, geographical and environmental data to inform our policy decision making process and resource allocation;
- Our services are delivered by highly skilled and experienced staff, and we are fully committed to supporting staff in their professional and personal development.

### **Annual review of effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the SIC is informed by the work of internal auditors and managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and is also informed by our external auditors and other reviews undertaken.

As an Authority, we are open to learning about how and where we can develop further, and as such have put in a number of arrangements to ensure that our internal control environment is robust, and to allow us to learn from the experience of others

- Our S151 officer and Clerk are external officials to the Authority. They both have statutory duties to ensure internal control procedures are efficient and effective and are being complied with to ensure a sound financial and legality standing for the Authority;
- Our internal auditors have undertaken a number of risk based reviews of our internal control procedures across a wide range of functions within the Authority. Each review contains an opinion on the effectiveness of those control procedures. The reports are reviewed by the Executive Group, and appropriate actions are taken to follow up recommendations raised. An annual report is also presented to the Authority.
- Our external auditors provide assurance annually on our financial statements. Their statutory remit has widened to cover our corporate governance and performance management arrangements also. We have received unqualified opinions from our auditors on all of these issues.

- Throughout 2006/07, the Authority has received and/or adopted:
  - 2006/07 Statement of Accounts;
  - Quarterly budget management reports;
  - Treasury Management policy;
  - Budget for 2007/08, supported by a three year budgetary forecast;
  - External audit plans and reports, including the Annual Audit Letter; and
  - 2007/08 Risk Reduction Plan.

**Significant internal control issues**

We fully recognise that there are always improvements that can be made in any control environment, and we are committed to developing and strengthening our arrangements. In particular, we have identified the following as being priorities in 2007/08:

- Approving and introducing our Corporate Risk Management policy, and policies to support its implementation, including the corporate risk register;
- Reviewing the arrangements that support how we undertake our partnership working;
- Further develop our performance management framework, for example, formalising the arrangements for our department and County performance plans;
- We will address any issues that arise from the peer review of our operational service delivery.

Chair of the North Wales Fire and Rescue Authority  
Dated:

Simon Smith  
Chief Fire Officer of North Wales Fire and Rescue Service  
Dated:

Ian Miller  
Clerk to the North Wales Fire and Rescue Authority  
Dated:

Ken Finch  
Treasurer to the North Wales Fire and Rescue Authority  
Dated:

## **STATEMENT OF ACCOUNTING POLICIES**

### 1. **GENERAL**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2006 (SORP), issued in September 2006 by CIPFA/LASAAC Joint Committee and also with guidance notes issued by CIPFA on the application of Accounting Standards (SSAPs) and Financial Reporting Standards (FRS).

### 2. **FIXED ASSETS**

The latest valuation of fixed assets was carried out by Gwynedd Council in 2004-2005. Office accommodation has been valued at existing use value and fire stations at depreciated replacement cost. To comply with FRS 15 the valuer estimated residual lives for all the Fire Authority's buildings so that a charge for depreciation could be calculated. Other assets are recognised at historic cost which is a proxy for current cost on short life assets and depreciated over their useful lives.

In accordance with the requirements of FRS 11, the Authority reviews the value at which each category of asset is included in the balance sheet at the end of each reporting period. Where there is reason to believe that the value has changed materially in the period, the valuation is adjusted accordingly. Impairment is charged to the Service Income and Expenditure Account where it arises from the consumption of economic benefits and to the Fixed Asset Restatement Account in other instances.

### 3. **INTANGIBLE ASSETS**

The Authority has assets that under UK Generally Accepted Accounting Practice (GAAP) can be recognised as intangible assets (e.g. software licences).

Intangible assets are amortised on a systematic basis over their economic life. The useful economic lives of the Authority's intangible assets are reviewed at the end of each reporting period and revised if necessary.

### 4. **CHARGES TO REVENUE FOR FIXED ASSETS**

The Income and Expenditure account is charged with a capital charge for depreciation for all fixed assets used in service provision. In previous years the Authority was required in addition to the charge for depreciation to charge a specified notional rate of interest of net asset values to the revenue account this requirement has now been removed.

The interest payable on outstanding debt, which has been used to fund capital expenditure, is included in the Income and Expenditure account

### 5. **DEPRECIATION**

Assets, other than land and non-operational assets, are being depreciated over their useful lives.

Assets are being depreciated using the straight-line method over the following periods:-

|                               |             |
|-------------------------------|-------------|
| Buildings                     | 15-80 years |
| Infrastructure                | 5-20 years  |
| Vehicles, Plant and Equipment | 4-20 years  |
| Intangible Assets             | 5-15 years  |

6. **BASIS FOR PROVISION FOR REDEMPTION OF DEBT**

The Authority has taken out long-term loans of variable duration to finance the purchase of fixed assets. Provision for redemption of debt is a calculation based on the opening adjusted capital financing requirement. The capital financing requirement is generally being shown as a movement on the General Fund Balance as an amount equivalent to 4% of its value. However, additional (voluntary) provision has been made for the redemption of debt to reflect the increase in short life assets that are now being financed through borrowing, instead of operational leases. The additional provision is based on the economic life of the asset and the movement on the General Fund Balance is calculated on that basis.

7. **RESERVES & PROVISIONS**

The financial regime under which the Authority operates does not permit it to hold Reserves. The Authority is however permitted to hold Provisions. Provisions relate to liabilities which have been incurred, but the amount or timing of the payment cannot be accurately determined. Expenditure is charged to the service expenditure account in the year the provision is created; expenditure to discharge the liability is charged directly to the provision. Details of Provisions held by the Authority at 31 March 2007 are provided in a note to the Core Financial Statements.

8. **STOCKS AND STORES**

The Authority takes account of stocks of uniforms, vehicle parts, fuel and other minor operational items. In accordance with the Code of Practice and SSAP 9, stocks are valued at the lower of actual cost or net realisable value.

9. **PENSION COSTS**

The Authority participates in two different pension schemes which meet the needs of different groups of employee. Both schemes provide members with defined benefits relating to pay and service. The schemes are as follows:-

(i) **Uniformed Fire-fighters**

This scheme is unfunded with the charge to the expenditure account representing the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

(ii) **Local Government Services & Control Staff**

These employees are eligible to join the Local Government Superannuation Scheme. The pension costs that are charged to the Authority's account in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These pension costs have been determined on the basis of stepped contribution rates that are set to meet 100% of the liabilities of the Fund in accordance with relevant Government regulations.

(iii) **FRS 17**

FRS 17 prescribes the disclosure of the long-term commitments entered into relating to pension costs. The accounts of the Fire Authority have been adjusted in line with the SORP and that provides that the adjustments made to implement FRS 17 do not have any effect on the Contributions made by the Local Authorities.

In assessing liabilities for retirement benefits at 31 March 2006 for the 2005-2006 Statement of Accounts the actuary was required by the SORP to use a discount rate of 2.9% real (4.9% actual), a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities was used. For the 2006-2007 Statement of Accounts the actuary has advised that a rate of 2.3% real (5.4% actual) is appropriate.

10. **ALLOCATION OF CENTRAL ADMINISTRATIVE CHARGES**

The major central administrative services such as Finance, Legal and Administrative Support are bought in from other Local Authorities. These costs and the costs of central administration at the Fire Authority have been allocated to front line services in line with CIPFA's Statement on Accounting for Overheads and the Best Value Accounting Code of Practice.

11. **DEBTORS AND CREDITORS**

The Authority's accounts are presented on an accruals basis in accordance with the SORP and SSAP 2; that is to say that sums due to or from the Authority during the year are included in the revenue account whether or not the cash has actually been received or paid in the year. Any material capital expenditure accruals have been made at the year end and all capital expenditure, including accruals, have been financed.

12. **INVESTMENTS**

Conwy County Borough Council manages surplus funds on behalf of the Authority. Investments are made directly for the Authority, specifically in a high interest call account, and other surplus funds are invested on the money market as part of Conwy's treasury management activity. Interest transactions are shown separately within the Income and Expenditure Account. Investments are shown in the Balance Sheet at cost. Further details are given in a note to the Core Financial Statements.

13. **LEASES**

The Authority holds various capital assets, principally vehicles and some items of equipment, under operating leases. The capital accounting regulations require assets subject to operating leases to be held off-balance sheet as the ownership is not vested in the Authority.

Assets obtained by way of finance lease are shown within the balance sheet as Fixed Assets.

Annual lease payments are charged to the service expenditure accounts. Details of leases are outlined in a note to the Core Financial Statements.

14. **CAPITAL RECEIPTS**

The proceeds from disposed of assets are held as Usable Capital Receipts in the Usable Capital Receipts reserve until used to finance capital expenditure.

15. **VALUE ADDED TAX**

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

16. **GRANTS**

Revenue grants, and the expenditure funded by grant, are included as income and expenditure in the Income and Expenditure Account. Capital grants are credited to the Grants and Contributions Deferred Account and amortised over the life of the associated Fixed Assets.

## CORE FINANCIAL STATEMENTS

### THE INCOME & EXPENDITURE ACCOUNT

| <i>OBJECTIVE ANALYSIS</i>                                | <i>NOTES</i>   | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|--|----------------|--------------------------------|--------------------------------|
| Community Fire Safety - Inspection & Certification       |                | 2,240                          | 1,195                          |
| Community Fire Safety - Prevention & Education           |                | 4,334                          | 2,277                          |
| Fire Fighting - Operational Responses                    |                | 21,037                         | 22,073                         |
| Fire Fighting - Communications & Mobilising              |                | 3,506                          | 2,439                          |
| Fire Fighting - Securing Water Supplies                  |                | 187                            | 1,000                          |
| Corporate & Democratic Core Costs                        |                | 259                            | 160                            |
| Non Distributed Cost                                     |                | 133                            | 137                            |
| <b>GROSS EXPENDITURE</b>                                 |                | <b>31,696</b>                  | <b>29,281</b>                  |
| Income – Community Fire Safety                           |                | -175                           | -51                            |
| Income - Fire Fighting                                   |                | -283                           | -222                           |
| <b>TOTAL INCOME</b>                                      |                | <b>-458</b>                    | <b>-273</b>                    |
| Transfer to Various Provisions from 2005-2006 Underspend | <b>Note 17</b> | 0                              | 631                            |
| Transfer to/(from) the Budget Provision                  | <b>Note 17</b> | -250                           | -781                           |
| Transfer to/(from) Various Provisions 2005-2006          | <b>Note 17</b> | 0                              | -202                           |
| Transfer to/(from) the Pension Provision                 | <b>Note 17</b> | -374                           | 0                              |
| Transfer to/(from) the Control Project Provision         | <b>Note 17</b> | 127                            | 0                              |
| Transfer to/(from) Audit Provision                       | <b>Note 17</b> | -36                            | 0                              |
| Increase/(Decrease) in Bad Debt Provision                | <b>Note 17</b> | 8                              | 0                              |
| <b>NET COST OF SERVICE</b>                               |                | <b>30,713</b>                  | <b>28,656</b>                  |
| Interest Received  |                | -211                           | -223                           |
| External Interest Charges                                |                | 379                            | 361                            |
| Pension Interest Cost                                    | <b>Note 24</b> | 8,791                          | 8,161                          |
| Expected Return on Pension Assets                        | <b>Note 24</b> | -439                           | -351                           |
| <b>NET OPERATING EXPENDITURE</b>                         |                | <b>39,233</b>                  | <b>36,604</b>                  |
| <b>INCOME FROM CONTRIBUTIONS</b>                         | <b>Note 8</b>  | <b>-29,350</b>                 | <b>-27,952</b>                 |
| <b>DEFICIT/(SURPLUS) FOR YEAR</b>                        |                | <b>9,883</b>                   | <b>8,652</b>                   |

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

|  |                       | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|--|-----------------------|--------------------------------|--------------------------------|
| <b>DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT</b>   |                       | <b>9,883</b>                   | <b>8,652</b>                   |
| Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance | <b>Notes 9 and 10</b> | -9,883                         | -8,652                         |
| <b>SURPLUS FOR THE YEAR</b>  |                       | <b>0</b>                       | <b>0</b>                       |
| <b>GENERAL FUND BALANCE BROUGHT FORWARD</b>  |                       | <b>0</b>                       | <b>0</b>                       |
| <b>GENERAL FUND BALANCE CARRIED FORWARD</b>  |                       | <b>0</b>                       | <b>0</b>                       |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

|   |                | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|---|----------------|--------------------------------|--------------------------------|
| <b>DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT</b>              |                | <b>9,883</b>                   | <b>8,652</b>                   |
| Actuarial Gains and Losses on Pension Fund Assets and Liabilities | <b>Note 18</b> | -11,482                        | 19,552                         |
| Revaluations of Fixed Assets & No Added Value Assets              | <b>Note 18</b> | 462                            | 168                            |
| <b>TOTAL RECOGNISED GAINS &amp; LOSSES FOR THE YEAR</b>           |                | <b>-1,137</b>                  | <b>28,372</b>                  |

## **BALANCE SHEET**

|  | NOTES          | 31 March 2007 |                  | 31 March         |
|--|----------------|---------------|------------------|------------------|
|  |                | £'000         | £'000            | 2006<br>£'000    |
| <b>FIXED ASSETS</b>                          |                |               |                  |                  |
| <b>Intangible Fixed Assets</b>               |                |               | 46               | 56               |
| <b>Tangible Fixed Assets</b>                 |                |               |                  |                  |
| <b>Operational Assets:</b>                   | <b>Note 11</b> |               |                  |                  |
| Land and Buildings                           |                | 19,725        |                  | 19,765           |
| Vehicles, Plant and Equipment                |                | 4,324         |                  | 4,046            |
| Infrastructure                               |                | 47            | 24,096           | 48               |
| <b>Non-Operational Assets</b>                |                |               |                  |                  |
| Assets under Construction                    |                |               | 297              | 35               |
| Investments                                  |                |               | 3                | 3                |
| <b>TOTAL LONG TERM ASSETS</b>                |                |               | <b>24,442</b>    | <b>23,953</b>    |
| <b>CURRENT ASSETS</b>                        |                |               |                  |                  |
| Stock  | <b>Note 20</b> | 354           |                  | 362              |
| Debtors                                      | <b>Note 21</b> | 671           |                  | 493              |
| Investments                                  | <b>Note 23</b> | 2,510         |                  | 4,690            |
| Payments in Advance                          |                | 118           |                  | 190              |
| Cash in Hand                                 |                | 0             | 3,653            | 0                |
| <b>LESS CURRENT LIABILITIES</b>              |                |               |                  |                  |
| Creditors                                    | <b>Note 22</b> | 1,328         |                  | 1,180            |
| Borrowing Repaid within one year             | <b>Note 16</b> | 0             |                  | 500              |
| Cash Overdrawn                               | <b>Note 19</b> | 810           |                  | 26               |
| Receipts in Advance                          |                | 330           | 2,468            | 528              |
| <b>NET CURRENT ASSETS</b>                    |                |               | <b>1,185</b>     | <b>3,501</b>     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |                |               | <b>25,627</b>    | <b>27,454</b>    |
| <b>LIABILITIES</b>                           |                |               |                  |                  |
| Pension Liability                            | <b>Note 24</b> |               | 171,268          | 173,142          |
| Provision for Pension Liabilities            | <b>Note 17</b> |               | 580              | 1,955            |
| Provisions - Underspend 2005-06              | <b>Note 17</b> |               | 0                | 441              |
| Retained Provision                           | <b>Note 17</b> |               | 90               | 90               |
| Rank to Role Provision                       | <b>Note 17</b> |               | 44               | 100              |
| Capital Provision                            | <b>Note 17</b> |               | 83               | 83               |
| Control Provision                            | <b>Note 17</b> |               | 141              | 40               |
| Long Term Borrowing                          | <b>Note 16</b> |               | 8,513            | 8,013            |
| Government Grants Deferred                   | <b>Note 18</b> |               | 313              | 132              |
| <b>TOTAL ASSETS LESS LIABILITIES</b>         |                |               | <b>(155,405)</b> | <b>(156,542)</b> |
| <b>FINANCED BY:</b>                          |                |               |                  |                  |
| Capital Financing Account                    | <b>Note 18</b> |               | 875              | 1,150            |
| Fixed Asset Restatement Account              | <b>Note 18</b> |               | 14,509           | 14,971           |
| Usable Capital Receipts                      | <b>Note 18</b> |               | 479              | 479              |
| Pension Reserve                              |                |               | (171,268)        | (173,142)        |
| <b>TOTAL FINANCING</b>                       |                |               | <b>(155,405)</b> | <b>(156,542)</b> |

## CASH FLOW STATEMENT

|   | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|---|--------------------------------|--------------------------------|
| <b><u>REVENUE ACTIVITIES</u></b>                            |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Cash Paid to and on Behalf of Employees                     | 19,882                         | 18,904                         |
| Pensions Paid   | 5,011                          | 4,512                          |
| Other Operating Costs                                       | 4,068                          | 4,677                          |
| <b>INCOME</b>   |                                |                                |
| Contributions   | -29,350                        | -27,952                        |
| Other Income  | 351                            | -315                           |
| <b>REVENUE ACTIVITIES NET CASH (INFLOW)/OUTFLOW</b>         | <b>-38</b>                     | <b>-174</b>                    |
| <b><u>SERVICING OF FINANCE</u></b>                          |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Interest Paid   | 339                            | 345                            |
| <b>INCOME</b>   |                                |                                |
| Interest Received   | -187                           | -219                           |
| <b><u>CAPITAL &amp; PROVISION ACTIVITIES</u></b>            |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Purchase of Fixed Assets                                    | 1,786                          | 1,072                          |
| Other Payments from Provisions                              | 1,275                          | 0                              |
| <b>INCOME</b>   |                                |                                |
| Capital Receipts  | 0                              | -175                           |
| Capital Grants  | -211                           | -34                            |
| <b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>           | <b>2,964</b>                   | <b>815</b>                     |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>                       |                                |                                |
| Increase/(decrease) in short –term deposits                 | -2,180                         | -80                            |
| <b><u>FINANCING</u></b>                                     |                                |                                |
| <b>EXPENDITURE</b>  |                                |                                |
| Repayments of Amounts Borrowed                              | 5,274                          | 964                            |
| <b>INCOME</b>   |                                |                                |
| New Loans Raised  | -5,274                         | -2,364                         |
| <b>NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS</b> | <b>784</b>                     | <b>-665</b>                    |

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### 1. **APPORTIONMENT OF COSTS- BEST VALUE ACCOUNTING CODE OF PRACTICE**

CIPFA Best Value Accounting Code of Practice recommends that service costs are apportioned across a number of headings according to the type of activity. In 2006-07 the basis of apportionment was reviewed and amendments were made to reflect the shift in work patterns between activities. A comparison with the 2005-06 figures shows the shift towards more 'Community Fire Safety' activity which is a reflection of the changes taking place within the Service.

### 2. **LEASE RENTALS**

The operating lease payments outstanding as at 31 March 2007 are £1,900,866 (31 March 2006, £2,456,757), with payment of operating leasing charges during the year of £805,313 (2005/06, £932,792). All operating leases are for vehicles and equipment. Finance lease payments during the year amounted to £3,746; the original purchase price of the vehicles was £359,048. The finance lease is in the secondary rental period, which lasts for the useful life of the vehicles.

| <b>LEASING OBLIGATIONS</b> | <b>£'000</b> |
|----------------------------|--------------|
| 2007/2008                  | 660          |
| 2008/2009                  | 380          |
| 2009/2010                  | 258          |
| 2010/2011                  | 214          |
| 2011/2012                  | 214          |
| 2012/2013                  | 85           |
| 2013/2014                  | 75           |
| 2014/2015                  | 14           |
| 2015/2016                  | 1            |
| <b>TOTAL</b>               | <b>1,901</b> |

### 3. **PUBLICITY EXPENDITURE**

Under Section 5 of the Local Government Act 1986, the Authority is required to disclose the expenditure on publicity and advertising directed at the public at large or particular sections of the public. In 2006-2007 this expenditure amounted to £85,676.

| <b>PUBLICITY EXPENDITURE</b> | <b>2006/07<br/>£'000</b> | <b>2005/06<br/>£'000</b> |
|------------------------------|--------------------------|--------------------------|
| Recruitment                  | 23                       | 57                       |
| Fire Safety Advertising      | 63                       | 37                       |
| <b>TOTAL</b>                 | <b>86</b>                | <b>94</b>                |

### 4. **MEMBERS ALLOWANCES AND EXPENSES**

During 2006-2007 the sum of £57,757 (£55,546 in 2005-2006) was paid to Members in the form of Members Allowances and travel expenses.

### 5. **OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding pension contributions, was £60,000 or more in bands of £10,000 was:-

| <b>REMUNERATION BAND</b> | <b>2006/07<br/>NUMBER OF<br/>EMPLOYEES</b> | <b>2005/06<br/>NUMBER OF<br/>EMPLOYEES</b> |
|--------------------------|--|--|
| £100,000 – £109,999      | 1  | 0  |
| £90,000 - £99,999        | 0  | 1  |
| £80,000 - £89,999        | 1  | 0  |
| £70,000 - £79,999        | 2  | 3  |
| £60,000 - £69,999        | 1  | 0  |

## 6. **TRANSACTIONS WITH RELATED PARTIES**

The North Wales Fire Authority has a number of links with the constituent authorities:

- Each Member of the Fire Authority is also a Member of one of the constituent authorities
- The Treasurer to the Fire Authority is the Corporate Director of Resources of Conwy County Borough Council
- The Monitoring Officer is the Chief Executive of Denbighshire County Council

During the year transactions with related parties arose as shown below.

|   | <b>£'000</b> |
|---|--------------|
| Conwy CBC – Financial Services                          | 72           |
| Denbighshire CC – Monitoring Officer and Legal Services | 21           |
| Flintshire CC – Superannuation Service                  | 17           |
| Welsh Local Government Association                      | 22           |
| Other Fire Authorities                                  | 4            |

Members and senior officers of the Fire Authority were asked to declare any third party transactions during the year. Apart from member's allowances and expenses no other transactions were identified.

## 7. **AUDIT FEES 2006/07**

The total fee paid to the Wales Audit Office for external audit services was £51,192 (2005/06, £47,153). Fees payable with regard to external audit services carried out in accordance with section 16 of the Public Audit Wales Act 2004 were £41,452. Fees payable in respect of statutory inspection under section 10 of the Local Government Act 1999 were £9,740.

## 8. **CONTRIBUTIONS**

In 2006-2007 contributions totalling £29,349,655 were applied to fund revenue expenditure from the following Local Authorities:-

| <b>AUTHORITY</b>               | <b>2006/07<br/>£'000</b> | <b>2005/06<br/>£'000</b> |
|--------------------------------|--------------------------|--------------------------|
| Anglesey County Council        | 2,989                    | 2,850                    |
| Gwynedd Council                | 5,139                    | 4,896                    |
| Conwy County Borough Council   | 4,865                    | 4,621                    |
| Denbighshire County Council    | 4,160                    | 3,955                    |
| Flintshire County Council      | 6,531                    | 6,225                    |
| Wrexham County Borough Council | 5,666                    | 5,405                    |
| <b>TOTAL LEVIES</b>            | <b>29,350</b>            | <b>27,952</b>            |

9. **MOVEMENT ON THE GENERAL FUND BALANCE**

The surplus achieved on the Income and Expenditure Account represents the amount by which income is greater than expenditure. The adjustments to the General Fund balance are amounts that have either not been included in the Income and Expenditure Account but are required by statute to be included or have been included but are required by statute to be excluded when determining the Movement on the General Fund Balance. Currently Fire Authorities in Wales are prevented from holding reserves so there will be no surplus or deficit for the year as there is a requirement to balance income received with expenditure for the year.

The table below details the reconciling Items to the movement on the General Fund balance.

|  | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|--|--------------------------------|--------------------------------|
| <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance</b>     |                                |                                |
| Provision for Depreciation Adjustment  | -834                           | -771                           |
| Government Grants Deferred Adjustment  | 30                             | 11                             |
| Deferred Charges Adjustment  | 0                              | -284                           |
| Pension Adjustment due to FRS17  | -13,876                        | -11,993                        |
|  | <b>-14,680</b>                 | <b>-13,037</b>                 |
| <b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance</b> |                                |                                |
| Employer's contributions payable to Clwyd Pension Fund and Firefighters Pensions paid less contributions from Firefighters   | 4,268                          | 4,015                          |
| Statutory Provision for Repayment of Debt  | 175                            | 160                            |
| Voluntary Provision for Repayment of Debt  | 354                            | 210                            |
|  | <b>4,797</b>                   | <b>4,385</b>                   |
| <b>TOTAL</b>   | <b>-9,883</b>                  | <b>-8,652</b>                  |

**MINIMUM REVENUE PROVISION (MRP) AND DEPRECIATION**

The Authority is required by statute to set aside MRP for the redemption of debt, the Authority can also set aside voluntary provision (VRP) for the early repayment of debt. For 2006-2007, the amount for MRP and VRP is £528,467 and this has been shown as an adjustment on the Movement in the General Fund Balance as it is an actual charge to the Authority. In accordance with the Best Value Accounting Code of Practice a depreciation charge has been made to the Service Expenditure headings for the use of the Authority's fixed assets. The depreciation charge is shown as an adjustment to the General Fund Balance as the actual charge to the Authority for the repayment of debt is the MRP. The entries forming the calculation of the transfer from the Capital Financing Account are shown below:-

|   | <i>2006/07</i><br><i>£'000</i> | <i>2005/06</i><br><i>£'000</i> |
|---|--------------------------------|--------------------------------|
| Amount Charged as Depreciation  | 834                            | 771                            |
| Transfer from Capital Financing Account to Movement on the General Fund Balance | -305                           | -401                           |
| <b>MINIMUM REVENUE PROVISION &amp; VOLUNTARY REVENUE PROVISION</b>              | <b>529</b>                     | <b>370</b>                     |

**GOVERNMENT GRANTS DEFERRED ADJUSTMENT**

Grants received towards the purchase of fixed assets are credited to the Service Income headings in line with the depreciation charge for the asset. An adjustment for the £30,000 (2005-06 £11,000) deferred grant is made on the Movement on the General Fund Balance and the credit is applied to the Capital Financing Account.

**DEFERRED CHARGES ADJUSTMENT**

Deferred charges represent expenditure which has been properly capitalised, but does not result in tangible fixed assets. The write off is charged to revenue with a compensating credit to revenue from the Capital Financing Account. There were no deferred charges in 2006-07.

|                                 | <b>2006/07</b><br><b>£'000</b> | <b>2005/06</b><br><b>£'000</b> |
|---------------------------------|--------------------------------|--------------------------------|
| Balance at 31 March 2006        | 0                              | 0                              |
| Expenditure in year             | 0                              | 283                            |
| Capital Reserve                 | 0                              | 0                              |
| Written off to Revenue          | 0                              | -283                           |
| <b>Balance at 31 March 2007</b> | <b>0</b>                       | <b>0</b>                       |

10. **PENSIONS**(i) **Local Government Services & Control Staff**

In 2006-2007 the Authority paid an employer's Superannuation contribution of £580,630 (2005-2006, £524,819) representing 21.3% (2005-2006, 21.3%) of employees' pensionable pay into the Clwyd Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 2004. Under current Pensions Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. During 2006-2007 added years benefits and early retirement costs due to redundancies of £50,847 (2005-2006, £8,624) were paid to employees which represents 1.87% (2005-2006, 0.35%) of employees' pensionable pay. Further information on the Clwyd Pension Fund can be found in the Pension Funds Annual Report and Accounts which is available on request from the County Treasurer at Flintshire County Council, County Hall, Mold, CH7 6NA or on the website [www.flintshire.gov.uk](http://www.flintshire.gov.uk).

(ii) **Firefighters**

The Firefighters' pension scheme is an unfunded scheme with defined benefits. In 2006-2007 the net cost of pensions and other benefits amounted to £3.72m (2005-2006, £3.5m).

(iii) **Movements on the Pension Fund**

In accordance with FRS17 the current cost of pensionable service is allocated to gross expenditure in the Income & Expenditure Account (I & E). Actual superannuation payments on behalf of employees in current service are removed from the I & E, an adjustment is then applied below the line so there is no effect on the overall expenditure of the Authority. Actuarial valuations have been carried out on the Firefighters' scheme by the Government Actuary's Department,

and the Local Government Pension scheme by Mercers. The table below analyses the appropriation from the Pension reserve to the Movement on the Year End Balance for 2006-2007 for both schemes.

| <b>MOVEMENTS</b>  | <b>2006/07<br/>£'000</b> | <b>2005/06<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Employers contributions   |                          |                          |
| – Local Government Pension Scheme                                 | 618                      | 539                      |
| – Pensions Paid Firefighters                                      | 4,927                    | 4,455                    |
| – Less Contributions Firefighters                                 | -1,277                   | -979                     |
| Current Service Cost  |                          |                          |
| – Firefighters  | -4,920                   | -3,650                   |
| – Local Government Pension Scheme                                 | -522                     | -408                     |
| Past Service Cost   |                          |                          |
| – Firefighters  | 0                        | -350                     |
| – Local Government Pension Scheme                                 | -82                      | 225                      |
| Interest Cost   |                          |                          |
| – Firefighters  | -8,180                   | -7,600                   |
| – Local Government Pension Scheme                                 | -611                     | -561                     |
| Expected Return on Pension Assets                                 |                          |                          |
| – Local Government Pension Scheme                                 | 439                      | 351                      |
| <b>APPROPRIATION FROM PENSION<br/>RESERVE TO YEAR END BALANCE</b> | <b>-9,608</b>            | <b>-7,978</b>            |

Further information on pensions is contained in Note 18 and Note 24.

11. **FIXED ASSETS**

Assets are valued as outlined in Note 2 and Note 3 of Accounting Policies. Details of the value of assets held at 31 March 2007 are shown below, together with details of movement in the year:-

|  | <i>Land and Buildings</i><br>£'000 | <i>Vehicles and Equipment</i><br>£'000 | <i>Infra - structure</i><br>£'000 | <i>Non-Operational Assets</i><br>£'000 | <i>In-Tangible Assets</i><br>£'000 | <i>Total</i><br>£'000 |
|--|------------------------------------|--|-----------------------------------|--|------------------------------------|-----------------------|
| Gross Book Value at 1 April 2006                 | 20,381                             | 7,852                                  | 253                               | 35                                     | 65                                 | 28,586                |
| Revaluations and Restatements                    | 0                                  | 0                                      | 0                                 | 0                                      | 0                                  | 0                     |
| <b>VALUE AT 1 APRIL 2006</b>                     | <b>20,381</b>                      | <b>7,852</b>                           | <b>253</b>                        | <b>35</b>                              | <b>65</b>                          | <b>28,586</b>         |
| Additions Commissioned                           | 695                                | 787                                    | 7                                 | 297                                    | 0                                  | 1,786                 |
| Expenditure                                      | 35                                 | 0                                      | 0                                 | -35                                    | 0                                  | 0                     |
| Disposals  | 0                                  | 0                                      | 0                                 | 0                                      | 0                                  | 0                     |
| Written-Off to Fixed Asset Restatement Account   | -462                               | 0                                      | 0                                 | 0                                      | 0                                  | -462                  |
| <b>GROSS BOOK VALUE AT 31 MARCH 2007</b>         | <b>20,649</b>                      | <b>8,639</b>                           | <b>260</b>                        | <b>297</b>                             | <b>65</b>                          | <b>29,910</b>         |
| Accumulated Depreciation at 1 April 2006         | -616                               | -3,806                                 | -205                              | 0                                      | -10                                | -4,637                |
| Depreciation for Year                            | -308                               | -509                                   | -8                                | 0                                      | -9                                 | -834                  |
| Disposals  | 0                                  | 0                                      | 0                                 | 0                                      | 0                                  | 0                     |
| <b>Accumulated Depreciation at 31 March 2007</b> | <b>-924</b>                        | <b>-4,315</b>                          | <b>-213</b>                       | <b>0</b>                               | <b>-19</b>                         | <b>-5,471</b>         |
| <b>NET BOOK VALUE AT 31 MARCH 2007</b>           | <b>19,725</b>                      | <b>4,324</b>                           | <b>47</b>                         | <b>297</b>                             | <b>46</b>                          | <b>24,439</b>         |
| <b>NET BOOK VALUE AT 31 MARCH 2006</b>           | <b>19,765</b>                      | <b>4,046</b>                           | <b>48</b>                         | <b>35</b>                              | <b>56</b>                          | <b>23,950</b>         |

13. **CAPITAL EXPENDITURE AND FINANCING**

The capital expenditure incurred during the year and its impact upon the Capital financing Requirement are detailed below:-

|   | <b>2006/2007<br/>£'000</b> | <b>2005/2006<br/>£'000</b> |
|---|----------------------------|----------------------------|
| Opening Capital Financing Requirement               | 7,694                      | 6,948                      |
| Capital Investment in Year                          |                            |                            |
| • Intangible Assets                                 | 0                          | 0                          |
| • Fixed Assets                                      | 1,786                      | 1,150                      |
| Sources of Finance                                  |                            |                            |
| • Grants & Contributions                            | -211                       | -34                        |
| • Revenue and Other Provisions                      | -529                       | -370                       |
| Closing Capital Financing Requirement               | 8,740                      | 7,694                      |
| Change in Capital Financing Requirement             | <b>1,046</b>               | <b>746</b>                 |
| Explanation of change:                              |                            |                            |
| Increase in underlying need to borrow (supported)   | 845                        | 746                        |
| Increase in underlying need to borrow (unsupported) | 201                        | 0                          |

14. **CAPITAL COMMITMENTS 2007-2008 Onwards**

Major capital commitments entered into at 31 March 2007 were £2.363m and are detailed in the table below.

| <b>Scheme</b>                         | <b>Contracted Future Cost<br/>£'000</b> |
|---------------------------------------|---|
| Various Properties                    | 518                                     |
| Water Tenders, Vehicles and Equipment | 1,845                                   |
| <b>TOTAL</b>                          | <b>2,363</b>                            |

15. **INFORMATION ON ASSETS HELD**

Fixed assets owned by the Authority include the following:-

|                                      | <b>Number at<br/>31 March<br/>2007</b> | <b>Number at<br/>31 March<br/>2006</b> |
|--------------------------------------|--|--|
| <b><u>LAND AND BUILDINGS</u></b>     |  |  |
| Fire Stations                        | 44                                     | 44                                     |
| Brigade Headquarters                 | 0                                      | 0                                      |
| Divisional Headquarters              | 2                                      | 2                                      |
| Control Rooms                        | 1                                      | 1                                      |
| Training Establishments              | 4                                      | 4                                      |
| Vehicle Workshops                    | 1                                      | 1                                      |
| Stores                               | 1                                      | 1                                      |
| <b><u>VEHICLES AND EQUIPMENT</u></b> |  |  |
| Operational Vehicles                 | 40                                     | 40                                     |
| Ancillary Vehicles                   | 50                                     | 24                                     |

16. **EXTERNAL BORROWING**

The loans outstanding have been raised through the Public Works Loan Board (PWLb). The following table gives an analysis of the loans by maturity.

| <b>Source of Loan</b>                       | <b>Interest Rate Payable 2005/06 %</b> | <b>Total Outstanding at 31 March 2007</b> |              | <b>Total Outstanding at 31 March 2006</b> |              |
|---|--|---|--------------|---|--------------|
|   |  | <b>£'000</b>                              |              | <b>£'000</b>                              |              |
| Public Works Loans Board                    | 3.85 – 5.0                             |   | 8,513        |   | 8,513        |
| <b><u>ANALYSIS OF LOANS BY MATURITY</u></b> |  |   |              |   |              |
| Within 1 Year                               |  |   | 0            |   | 500          |
| Between 1 and 2 years                       |  | 0   |              | 1,000                                     |              |
| Between 2 and 5 years                       |  | 414                                       |              | 1,579                                     |              |
| Between 5 and 10 years                      |  | 500                                       |              | 1,012                                     |              |
| Over 10 years                               |  | 7,599                                     |              | 4,422                                     |              |
|   |  |   | 8,513        |   | 8,013        |
| <b>TOTAL</b>                                |  |   | <b>8,513</b> |   | <b>8,513</b> |

17. **MOVEMENT ON PROVISIONS**

At 31 March 2007 the Authority held a number of provisions. The provisions held and the movement on the provisions is as follows.

**Pension Provision**

The Provision for Pension Liabilities was established to smooth the impact of the liabilities, arising from past service, to make future pension payments. Changes to the funding arrangements for the Firefighters' pension scheme has made it unnecessary for the Authority to hold such a large provision in future years. Due to the pension changes Members approved the following to be funded from the Pension Provision; £162,200 to finance the budget for 2006-2007; £127,000 towards the Tri-Control project; £85,321 towards the overspend in 2006-07; and £1,000,000 repaid to the constituent authorities. The balance on the provision at 31 March 2007 is £580,045.

**Capital Provision**

The balance on the Capital Provision of £82,490 has been set aside to offset the costs of the proposed replacement of the PPE (Personal Protective Equipment) uniform. There has been no movement on the provision in 2006/07 as the replacement programme is not due to start until 2008/09.

**Control Provision**

To cover the costs of the project to co-locate the three emergency services controls and assist with the re-location costs a sum of £100,000 was set aside from the 2004-2005 underspend. In 2005-2006 and 2006-2007 £85,707 of the provision was utilised. Members agreed to transfer the control room from Rhyl to St.Asaph (Executive Panel, 24 January 2007) and a further £127,000 was transferred from the Pension Provision to cover the estimated costs. The transfer is due to take place early in 2008/2009 when it is envisaged that the balance on the provision, £141,293, will be utilised.

**Bad Debt Provision**

The Authority maintains a Bad Debt Provision which adequately covers debts which may be required to be written off. An analysis of the year end debtors has resulted in the provision being increased by £8,000.

### **Other Provisions**

The following provisions have been utilised within the year:-

- £35,000 – Estates Provision
- £70,000 – Redundancy Provision
- £40,534 – HR System Provision
- £250,000 – Budget Provision
- £44,984 – Audit Provision (£36,161 used to fund the overspend)

### **Rank to Role Provision**

In 2005-06 £100,000 was set aside to cover the back pay of the Rank to Role costs. In 2006-07 £55,704 of the provision was utilised, the remaining balance will be used in 2007-08.

### **Equal Pay Provision**

In 2005-06 £90,000 was set aside to offset the financial consequences of retained firefighters being entitled to the same conditions of service as whole-time firefighters. In 2006-07 none of the provision was utilised but it is envisaged that there will be some expenditure in 2007-08.

Some of the provisions held by the Authority (Rank to Role, Equal Pay and Control) are not technically provisions but reserves as they do not strictly comply with the requirements of Financial Reporting Standard 12 and the CIPFA Statement of Recommended Practice on what constitutes a 'provision.' The Combination Order for Fire Authorities in Wales does not strictly permit a Combined Fire Authority from holding reserves, which would be the proper classification of the provisions detailed above. The Fire Authority has taken a pragmatic approach and categorised them as provisions as has been the custom and practice for the Authority since 1996. The constituent authorities are aware of and content with the arrangement.

18. DETAILS OF MOVEMENTS ON RESERVES

|  | <i>REVENUE RESERVES</i>         | <i>CAPITAL RESERVES</i>                    |   |   |   |                       |
|--|---------------------------------|--|---|---|---|-----------------------|
|  | <i>Pension Reserve</i><br>£'000 | <i>Government Grants Deferred</i><br>£'000 | <i>Capital Financing Account</i><br>£'000 | <i>Fixed Asset Restatement Account</i><br>£'000 | <i>Usable Capital Receipts</i><br>£'000 | <i>Total</i><br>£'000 |
| Balance at 1 April 2006                                    | -173,142                        | 132  | 1,150                                     | 14,971  | 479                                     | 16,600                |
| Net (Deficit)/Surplus for Year – Appropriations to Revenue | -9,608                          | -30  | -305                                      | 0   | 0                                       | -305                  |
| Financing of Fixed Assets                                  | 0                               | 211  | 30  | 0   | 0                                       | 30                    |
| Revaluation of Assets                                      | 0                               | 0  | 0   | 0   | 0                                       | 0                     |
| Disposals  | 0                               | 0  | 0   | 0   | 0                                       | 0                     |
| Capital Spend 2006-2007 - No Added Value                   | 0                               | 0  | 0   | -462  | 0                                       | -462                  |
| Deferred Charges Written Off                               | 0                               | 0  | 0   | 0   | 0                                       | 0                     |
| Actuarial Gain   | 11,482                          | 0  | 0   | 0   | 0                                       | 0                     |
| <b>BALANCE AT 31 MARCH 2007</b>                            | <b>-171,268</b>                 | <b>313</b>                                 | <b>875</b>                                | <b>14,509</b>                                   | <b>479</b>                              | <b>15,863</b>         |

**Pension Reserve**

The actuarial gains and losses identified as movements on the Pensions Reserve in 2006-07 can be analysed into the following categories.

| CATEGORY  | 2006/07       |                          | 2005/06         |                          | 2004/05         |                          | 2003/04         |                          | 2002/03        |                          |
|---|---------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|----------------|--------------------------|
|   | £'000         | Asset/<br>Liability<br>% | £'000           | Asset/<br>Liability<br>% | £'000           | Asset/<br>Liability<br>% | £'000           | Asset/<br>Liability<br>% | £'000          | Asset/<br>Liability<br>% |
| Difference between expected and actual return on Assets                           | (4)           | 0.1                      | 1,026           | 14.70                    | 156             | 3.02                     | 540             | 13.03                    | (1,042)        | -34.84                   |
| Difference between actuarial assumptions about liabilities and actual experience  | 570           | 0.8                      | 3,950           | (2.19)                   | 709             | (0.47)                   | 1,860           | (1.68)                   | (830)          | 0.89                     |
| Changes in the demographic and financial assumptions used to estimate liabilities | 10,916        | 6.4                      | (24,528)        | 13.62                    | (34,468)        | 22.86                    | (13,850)        | 12.54                    | 0              | 0                        |
| <b>Totals</b>   | <b>11,482</b> |                          | <b>(19,552)</b> |                          | <b>(33,603)</b> |                          | <b>(11,450)</b> |                          | <b>(1,872)</b> |                          |

**Fixed Asset Restatement Account**

This account represents the difference between the historic cost of fixed assets and their revaluation in the Asset Register. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

**Capital Financing Account**

The Capital Financing Account (CFA) contains a number of entries concerning capital accounting. These include the excess of depreciation over revenue provisions for potential debt redemption and part of the financing of the 2006-2007 capital programme.

**Government Grants Deferred**

The balance on this account represents the value of the capital grants which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register, which are subject to depreciation. The balance on this account will be released to revenue in line with depreciation.

|   | £'000      |
|---|------------|
| Balance at 31 March 2006                        | 132        |
| Grants and Contributions Applied during 2006/07 | 211        |
| Written to Movement on General Fund Balance     | -30        |
| <b>Balance at 31 March 2007</b>                 | <b>313</b> |

19. **CASH OVERDRAWN**

The actual cash in hand represented the cash shown in the Balance Sheet, together with transactions not effected within the cleared bank balance at 31 March 2007. The following table summarises the position:-

|                             | <b>31 March 2007<br/>£'000</b> | <b>31 March 2006<br/>£'000</b> |
|-----------------------------|--------------------------------|--------------------------------|
| Cash Per Balance Sheet      | -810                           | -26                            |
| Uncleared Bank Transactions | 948                            | 70                             |
| Cash in Transit             | 0                              | -2                             |
| <b>BANK TOTAL</b>           | <b>138</b>                     | <b>42</b>                      |

20. **STOCKS**

An analysis of the stocks held at 31 March 2006 and 31 March 2007 is shown below:-

| <b>STOCKS</b>    | <b>31 March 2007<br/>£'000</b> | <b>31 March 2006<br/>£'000</b> |
|------------------|--------------------------------|--------------------------------|
| Main Stores (HQ) | 342                            | 350                            |
| Transport Stock  | 12                             | 12                             |
| <b>TOTAL</b>     | <b>354</b>                     | <b>362</b>                     |

21. **DEBTORS**

|   | <b>31 March 2007<br/>£'000</b> | <b>31 March 2006<br/>£'000</b> |
|---|--------------------------------|--------------------------------|
| Government Departments and Other Agencies | 428                            | 342                            |
| Other Local Authorities                   | 42                             | 67                             |
| Sundry Debtors                            | 215                            | 90                             |
| <b>GROSS DEBTORS</b>                      | <b>685</b>                     | <b>499</b>                     |
| Bad Debt Provision                        | -14                            | -6                             |
| <b>NET DEBTORS</b>                        | <b>671</b>                     | <b>493</b>                     |

22. **CREDITORS**

|                                     | <b>31 March 2007<br/>£'000</b> | <b>31 March 2006<br/>£'000</b> |
|-------------------------------------|--------------------------------|--------------------------------|
| Government Departments and Agencies | 143                            | 106                            |
| Other Local Authorities             | 120                            | 112                            |
| Sundry Creditors                    | 1,065                          | 962                            |
| <b>TOTAL</b>                        | <b>1,328</b>                   | <b>1,180</b>                   |

23. **INVESTMENTS**

The investments below are specified investments under the Treasury Management Code of Practice which is supported by the Local Government Act 2003 and consist of the following institutions:-

| <i>Institutions</i> | <i>31 March 2007<br/>£'000</i> | <i>31 March 2006<br/>£'000</i> |
|---------------------|--------------------------------|--------------------------------|
| <b>Short Term</b>   |                                |                                |
| Bank of Scotland    | 250                            | 2,490                          |
| Anglo Irish         | 2,260                          | 2,200                          |
| <b>Total</b>        | <b>2,510</b>                   | <b>4,690</b>                   |

#### 24. **ASSESSMENT OF PENSION LIABILITIES FOR FRS17 DISCLOSURES**

In accordance with the requirements of Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Fire Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 10 the Authority participates in two schemes, the Firefighters' Pension Scheme for full time Firefighters which is unfunded, and the Local Government Pension Scheme (Clwyd Pension Fund) for other employees which is administered by Flintshire County Council. In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The Authority's assets and liabilities as at 31 March 2007 and 31 March 2006 were as follows:

|   | <i>31 March</i>       |                       |
|---|-----------------------|-----------------------|
|   | <i>2007<br/>£'000</i> | <i>2006<br/>£'000</i> |
| Estimated liabilities in the Firefighters' Pension Scheme | 166,510               | 167,820               |
| Share of liabilities in Clwyd Pension Fund                | 12,614                | 12,300                |
| <b>Total liabilities</b>                                  | <b>179,124</b>        | <b>180,120</b>        |
| Share of assets in Clwyd Pension Fund                     | 7,856                 | 6,978                 |
| <b>Net Pensions Deficit</b>                               | <b>171,268</b>        | <b>173,142</b>        |

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The Firefighters' Scheme has been valued by the Government Actuary's Department and the Clwyd Pension Fund liabilities have been valued by Mercer, an independent firm of actuaries. The main assumptions used in the calculations are:

|  | <i>Firefighters Scheme</i> |                   | <i>Clwyd Pension Fund</i> |                   |
|--|----------------------------|-------------------|---------------------------|-------------------|
|  | <i>2007<br/>%</i>          | <i>2006<br/>%</i> | <i>2007<br/>%</i>         | <i>2006<br/>%</i> |
| Rate of Inflation                      | 3.4                        | 3.2               | 3.1                       | 2.9               |
| Rate of Increase in Salaries           | 4.9                        | 4.7               | 4.4                       | 4.2               |
| Rate of Increase in Pensions           | 3.4                        | 3.2               | 3.1                       | 2.9               |
| Rate of Discounting Scheme Liabilities | 5.4                        | 4.9               | 5.4                       | 4.9               |

Assets in the Clwyd Pension Fund are valued at fair value, principally market value for investments, and consist of:

|                    | <i>31 March</i> | <i>31 March</i> | <i>Expected<br/>Return<br/>On Asset</i> |
|--------------------|-----------------|-----------------|---|
|                    | <i>%</i>        | <i>£'000</i>    | <i>%</i>                                |
| <b>2007</b>        |                 |                 |   |
| Equity Investments | 63.4            | 4,980           | 7.5                                     |
| Bonds              | 12.4            | 974             | 5.4                                     |
| Other Assets       | 24.2            | 1,902           | 6.4                                     |
| <b>Total</b>       |                 | <b>7,856</b>    |   |
| <b>2006</b>        |                 |                 |   |
| Equity Investments | 66.0            | 4,605           | 7.0                                     |
| Bonds              | 10.1            | 705             | 4.6                                     |
| Other Assets       | 23.9            | 1,668           | 5.8                                     |
| <b>Total</b>       |                 | <b>6,978</b>    |   |

The movement in the net pension deficit for the year can be analysed as follows:

|  | <i>£'000</i> | <i>£'000</i>    |
|--|--------------|-----------------|
| Net Deficit at the Beginning of Year   |              | -173,142        |
| Current Service Cost                   | -5,442       |                 |
| Past Service Cost                      | -82          |                 |
| Contributions                          | 618          |                 |
| Pensions Paid                          | 4,927        |                 |
| Contributions Firefighters             | -1,277       | -1,256          |
| <b>Finance Income</b>                  |              |                 |
| Return on Assets                       | 439          |                 |
| Interest on Pension Liabilities        | -8,791       | -8,352          |
| Actuarial Gain/ (Loss)                 |              | 11,482          |
| <b>Net Pension Deficit at Year End</b> |              | <b>-171,268</b> |

The actuarial gain/loss can be further analysed as follows:

|   |              |
|---|--------------|
|   | <b>£'000</b> |
| Actual gain expected on Pension Fund Assets | 10,916       |
| Gains Arising on Pension Assets             | 566          |
|   | -----        |
|   | 11,482       |
|   | -----        |

25. **CASH FLOW - RECONCILIATION TO INCOME & EXPENDITURE ACCOUNT**

|   | <b>2006/07<br/>£'000</b> | <b>2005/06<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Revenue Activities Net Cash Inflow                                  | -38                      | -173                     |
| <b><u>NON-CASH MOVEMENTS ON<br/>I &amp; E ACCOUNT</u></b>           |                          |                          |
| Decrease/(Increase) in Stock  | 8                        | -64                      |
| Decrease/(Increase) in Debtors                                      | -178                     | 63                       |
| Decrease/(Increase) in Payments in Advance                          | 72                       | -83                      |
| (Decrease)/Increase in Creditors                                    | 148                      | -149                     |
| (Decrease)/Increase in Receipts in Advance                          | -198                     | 262                      |
| Depreciation Charge   | 834                      | 771                      |
| Government Grants Deferred  | -30                      | -11                      |
| Deferred Charges  | 0                        | 284                      |
| FRS17 Pension Adjustment  | 9,608                    | 7,978                    |
| <b><u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW<br/>STATEMENT</u></b> |                          |                          |
| Interest Paid   | 339                      | 345                      |
| Interest Received   | -187                     | -219                     |
| Contribution to/(from) Various Provisions                           | -533                     | -352                     |
| Government Grants Deferred  | 30                       | 0                        |
| Contribution to Bad Debt Provision                                  | 8                        | 0                        |
| <b>DEFICIT (SURPLUS) ON I &amp; E ACCOUNT</b>                       | <b>9,883</b>             | <b>8,652</b>             |

26. **RECONCILIATION OF MOVEMENT IN CASH AND CASH EQUIVALENTS**

|  | <b>31 March 2007<br/>£'000</b> | <b>31 March 2006<br/>£'000</b> |
|--|--------------------------------|--------------------------------|
| Cash in Bank                                 | 814                            | 32                             |
| Cash in Transit                              | 0                              | -2                             |
| Cash Held in Imprest Accounts                | -4                             | -4                             |
| <b>TOTAL</b>                                 | <b>810</b>                     | <b>26</b>                      |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>784</b>                     |                                |

### **Independent auditor's report to the Members of North Wales Fire Authority**

I have audited the accounting statements of North Wales Fire Authority for the year ended 31 March 2007 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. The accounting statements have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to North Wales Fire Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales .

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly the financial position of the Authority in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003'. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Fire Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Fire Authority in the preparation of the

accounting statements, and of whether the accounting policies are appropriate to the Fire Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements.

### **Opinion**

In my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the North Wales Fire Authority as at 31 March 2007 and its income and expenditure for the year then ended.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

My conclusion on North Wales Fire Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Relationship Manager Audit Letter.

Anthony Barrett  
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28 September 2007