

**NORTH WALES FIRE AND RESCUE AUTHORITY
AUDIT COMMITTEE**

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 24th September 2012 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

A I Dunbar	Flintshire County Council
G Lowe	Wrexham County Borough Council
D MacRae	Conwy County Borough Council
D Miles	Conwy County Borough Council
W P Shotton	Flintshire County Council
J R Skelland	Wrexham County Borough Council
O Thomas	Flintshire County Council

ALSO PRESENT:

D Docx (Deputy Chief Fire Officer); S Forrest (Accountant, Treasurer's Department, Conwy County Borough Council); K V Williams (Audit, Conwy County Borough Council); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

J Evans	Anglesey County Council
C Guy-Davies	Denbighshire County Council
A Jones	Wrexham County Borough Council
L A W Jones	Gwynedd Council
R Parry	Conwy County Borough Council
M Reece	Flintshire County Council

Officers:

G Owens	Deputy Clerk
V Stevens	KPMG

1 APPOINTMENT OF CHAIR

1.1 In the Deputy Clerk's absence, the Deputy Chief Fire Officer opened the meeting and asked for nominations for chair of the committee. Cllr W P Shotton proposed Cllr J R Skelland and this was seconded by Cllr A I Dunbar.

1.2 **RESOLVED that Cllr J R Skelland be appointed Chair of the Audit Committee subject to ratification at the Authority meeting on 15th October.**

2 APPOINTMENT OF DEPUTY CHAIR

2.1 The Deputy Chief Fire Officer then asked for nominations for deputy chair of the committee. Cllr W P Shotton proposed Cllr O A Thomas and this was seconded by Cllr A I Dunbar.

2.2 **RESOLVED that Cllr O A Thomas be appointed Deputy Chair of the Audit Committee subject to ratification at the Authority meeting on 15th October.**

3 DECLARATIONS OF INTEREST

3.1 None.

4 MINUTES

4.1 The minutes of the meeting held on 30th January 2012 were submitted for approval. As there were none of the current Members present at the last meeting, Keith Williams and Sandra Forrest confirmed the minutes as a correct record.

4.2 **RESOLVED to approve the minutes of the last meeting as a correct record.**

5 MATTERS ARISING

5.1 3.4 – Wrexham project – Cllr A I Dunbar asked for clarification about the Wrexham project and the DCFO explained that the proposed new fire/ambulance station will be built in Wrexham once planning permission has been approved. The Chair confirmed that this had been an ongoing project for a number of years.

5.2 4.3 – fundraising activities – Cllr W P Shotton informed those present that he had attend attended the charity car wash at Deeside fire station which was a successful day and he wished them every success with their fundraising activities.

6 TERMS OF REFERENCE

6.1 The committee's terms of reference were presented for information.

6.2 **RESOLVED to note the committee's terms of reference.**

7 WALES AUDIT OFFICE REPORT: PUBLIC ENGAGEMENT IN NORTH WALES FIRE AND RESCUE AUTHORITY

7.1 This item had been omitted from the agenda, but it had been agreed to receive the report at the meeting. John Weston from the Wales Audit Office was in attendance to present the report.

7.2 Mr Weston explained that a scoping exercise across Wales had been undertaken to identify the level of engagement between public sector organisations and their public. The quality of engagement appeared to vary

significantly within public sector organisation and following consultation it was decided that the WAO would undertake an all-Wales study reviewing public engagement across the three fire and rescue services. The study was designed to answer the question: 'Does public engagement enable citizens and partners to help shape what fire and rescue authorities do?'

- 7.3 Mr Weston and his colleague had met with members of the public as well as staff from various organisations that work in partnership with the Authority, for example, road traffic officers in Gwynedd/Anglesey, Communities First in Rhyl, Age Cymru and Bangor University. He also reported that NWFRS makes use of social media websites such as Facebook and Twitter and uses its own website as a way of disseminating fire safety information.
- 7.4 The authors of the report had concluded that 'the Authority can demonstrate effective engagement at an operational level and shows a strong commitment towards increasing its public engagement activity. It now needs to develop a more coordinated, strategic approach to consultation, and to clarify the expectations and resources required to undertake and evaluate future public engagement activity'. It was recognised that the Authority 'has not yet developed a clear strategic approach to the design and implementation of its public engagement activities'.
- 7.5 Recommendations for improvement had been made and the Authority was asked to consider taking the following steps:
- Continue to develop corporate processes to promote public engagement in particular:
 - to develop a more strategic, coordinated and planned approach to public engagement to minimise duplication of work and maximise impact and outcomes;
 - identify, define and prioritise what public engagement activity is essential for the Authority, its partners and the public it serve;
 - identify resources required and take advantage of outreach and local fire stations to encourage them to engage with their local communities; and
 - develop processes and structure to help prepare and deal with controversial situations and potential difficult decisions – to assess level of risk and identify mitigating actions.
 - Develop methods to use and evaluate the results of public engagement activities more widely, and inform the public how their input influences what the Authority does.
- 7.6 Members were supportive of the Authority's work with the public, and listed Rhyl Community Fire Station, Phoenix and bonfire nights arranged by local fire stations as being good examples of public engagement. Mr Weston acknowledged Members' response and explained that the purpose of the study was to identify gaps and provide recommendations for moving forward with public engagement.

7.7 The DCFO explained that the Authority will have to consider its strategic approach to how the public is consulted about difficult choices that may face the Authority in future and that early engagement with communities would be key to ensuring public support.

7.8 **RESOLVED to note the information provided.**

8 TREASURY MANAGEMENT TRAINING

8.1 The DCFO introduced Sandra Forrest, Principal Accountant for Conwy County Borough Council. The DCFO explained that the Authority has a Service Level Agreement for Conwy CBC to provide financial services to the Authority.

8.2 The Authority has delegated the task of approving the Treasury Management Strategy, Prudential Indicators, Investment Strategy and the Minimum Revenue Provision Policy to the committee and a treasury management report is provided to the audit committee three times per year.

8.3 Ms Forrest proceeded to give Members information on:

- Regulatory Structure of Treasury Management
- Overview of the Treasury Strategy
- Debt Considerations
- Investment Considerations
- Economic Environment

8.4 The CIPFA TM Code of Practice (2009) defines treasury management as the management of the organisation's cash flow, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

8.5 The Audit Committee is required to approve the treasury management strategy and set the overall criteria, on an annual basis, prior to its implementation as well as monitor it throughout the year.

8.6 **RESOLVED to note the information provided.**

9 TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

9.1 Following the training provided, Members were asked to consider the changes made since the Authority's approval of the treasury management strategy and prudential indicators at its March 2012 meeting. The prudential indicators estimated for 2012-13 had changed and there were also new loans and changes to the list of counterparties to be noted.

9.2 The changes to the prudential indicators were as follows:

- the actual Capital expenditure for 2011-12 was less than the outturn
- Schemes from 2011-12 have been rolled forward to 2012-13
- New Loans

9.3 It was noted that the current treasury strategy involved taking a cautious approach to investments – a maximum of 3 months for investments, awareness of the current market and to ensure a continuous updated knowledge of counterparties. Ms Forrest confirmed that this was being adhered to and surplus cash was now being used to support borrowing rather than investing in the markets. The strategy also involved borrowing short term to take advantage of the low interest rates and maintaining awareness of the risks, for example, a rise in interest rates will increase debt costs as short term loans mature.

9.4 **RESOLVED to**

- (i) approve the amend prudential indicators set out in appendix A of the report;**
- (ii) note the counterparties as set out in appendix B of the report; and**
- (iii) note the new loans with PWLB, Tendring District Council, Bath and NE Somerset Council, London Borough of Ealing and Derbyshire Superannuation.**

10 STATEMENT OF ACCOUNTS

10.1 Members were asked to approve the audited statement of accounts for 2011-12 and the annual governance statement. In compliance with the Accounts and Audit Regulations (Amendment Wales) 2010 the statements must be approved by 30 September. Members are also asked to acknowledge the letter of representation to be sent to the WAO and KPMG from the Authority. Delegated authority for approving the accounts has been granted to the Audit Committee. It was noted that the Executive Panel received the accounts for information at its meeting on 17 September 2012 and there were no comments to feedback to the Audit Committee.

10.2 Ms Forrest led Members through the statement of accounts and highlighted that amendments had been made in line with the audit findings and the two main changes were duplication of an accrual – decrease Debtor and Creditor balances by £79k and a reclassification of a reserve from Usable to Unusable, £25k. Other minor amendments had been made to enhance presentation of the statement of accounts.

10.3 In relation to the managements accounts summary on page 37 of the statement, the Chair sought clarification on other staff costs, IT and agency payments. The DCFO explained that there was an increase in the 'other staff costs' budget due to redundancy payments made following an admin review. There had been an increase in the IT & Communications budget due to delays in various projects from the previous year with the payments being made in the 2011-12 financial year. Agency payments referred to money paid to external agencies for their services, for example, financial and legal services from Conwy County Borough Council. The specification for the cleaning of buildings had changed therefore reducing staff costs but increasing the agency payments budget.

- 10.4 The pension liability was explained to Members and it was noted that the Local Government scheme is a fully funded scheme and contributions are set to meet 100% of the liabilities, however, the firefighters' pension scheme is an unfunded scheme operated outside the revenue account as a separate Pension Fund. The fund was set up to help with budgetary control; deficits on the fund are met by WG but the liability falls on the Authority and therefore it must be reported in the statement of accounts.
- 10.5 The Chair asked about grant funding and the DCFO explained the importance of grants to the Authority's income. Due to the current economic climate, the Authority is at risk of losing the grant funding that has been provided by the Welsh Government in recent years, and officers are currently developing an exit strategy should the grant funding not be forthcoming. In addition to funding community safety activities, grant funding also supports important operational initiatives, for example, New Dimensions, including high volume pump equipment. Members expressed concern that the public perception of the FRS would decrease if the grants were stopped and therefore valuable services lost.
- 10.6 **RESOLVED to approve the audited statement of accounts for 2011-12 and acknowledge the letter of representation sent to the external auditors, the Wales Audit Office and KPMG.**

11 AUDIT OF FINANCIAL STATEMENTS

- 11.1 Virginia Stevens from KPMG had been unable to attend the meeting due to the weather and public transport problems. The DCFO presented the report on Ms Stevens' behalf.
- 11.2 Members noted that the Appointed Auditor had stated that his intention was to issue an unqualified audit report on the financial statements subject to KPMG receiving a letter of representation from the Authority.
- 11.3 **RESOLVED to note the audit of financial statements.**

12 SUMMARY OF INTERNAL AUDIT ACTIVITY 2011/12 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2012/13

- 12.1 Keith Williams from Conwy CBC Internal Audit Department presented the report which provided information about the internal audit work completed for 2011/12 and asked Members to approve the internal audit needs assessment and draft internal audit plan for 2012/13.
- 12.2 During 2011/12 four areas of the Service were audited:
- Retained stations (Ynys Môn and Gwynedd) – received a 'satisfactory' audit opinion
 - Fleet management – received a 'good' audit opinion
 - Final account – Rhyl Community fire station – received a 'satisfactory' audit opinion
 - National Fraud Initiative – received a 'good' audit opinion.

- 12.3 Mr Williams explained that following the initial audit a further follow up audit is undertaken approximately six months later to ensure all recommendations have been completed. Since the report had been compiled, the follow up audit of the community safety partnership working had been undertaken. All recommendations made had either been completed or were work in progress. The audit opinion had been reassessed as 'satisfactory' with a commitment from the Service to improve the governance of partnership working.
- 12.4 Audits of the following areas are being undertaken during 2012/13:
- Retained fire stations (Wrexham and Flintshire)
 - Payroll – starters and leavers
 - Stores
 - Main financial systems – creditors
- 12.5 **RESOLVED to**
- (i) note the summary of internal audit activity for 2011/12; and**
 - (ii) approve the needs assessment and draft internal audit plan for 2012/13.**