

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 4 June 2018 at the Fire and Rescue Headquarters, St Asaph.
Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
B Apsley	Wrexham County Borough Council
A Daniels	Gwynedd Council
A I Dunbar	Flintshire County Council
P Evans	Denbighshire County Council
S Lloyd-Williams	Conwy County Borough Council
G Lowe	Wrexham County Borough Council
W P Shotton	Flintshire County Council
N Smith	Conwy County Borough Council
D Wisinger	Flintshire County Council

ALSO PRESENT:

K Finch (Treasurer); G Owens (Deputy Clerk); H MacArthur and S Morris (Assistant Chief Officers); S Forrest (Head of Accountancy and Exchequer Services, Conwy County Borough Council); K V Williams (Audit Department, Conwy County Borough Council); J Brown (Finance Manager); M Jones (Wales Audit Office); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

I D Lloyd	Gwynedd Council
D Rees	Anglesey County Council
W O Thomas	Flintshire County Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES OF THE MEETING HELD ON 29 JANUARY 2018

2.1 The minutes of the meeting held on 29 January 2018 were submitted for approval.

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

3 MATTERS ARISING

3.1 MIFID II – it was noted that a letter had not been sent due to treasury management advice that there would be no advantage in sending a letter due to there being no financial or detrimental impact on NWFRA with the introduction of MIFID II. It was confirmed that:

- NWFRA still has access to market funds and there has been no adverse change in the interest rates
- Some brokers will deal direct with NWFRA and any other deals are brokered through Conwy County Borough Council
- The fees charged to Conwy for TM advice have not changed as Conwy has opted for Professional status.

3.2 **RESOLVED to note the update.**

4 AUDIT PLAN 2018

4.1 Mark Jones from the Wales Audit Office presented the audit plan 2018 for North Wales Fire and Rescue Authority to members as well as the Auditor's certificate confirming the Authority has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

4.2 The audit plan set out the Wales Audit Office's proposed work for the coming year which will include:

- financial accounts work including audit of financial statements report and opinion on financial statements
- performance work including audits of the improvement plan and the assessment of performance, and a risk and assurance assessment.

4.3 Members noted that the timetable for presenting financial statements will change in 2019 and therefore the 2018-19 financial statements will need to be presented to the WAO by 31 May 2019 and the audit certification will be required by 31 July 2019; officers agreed that dates of meetings will be reviewed in order to ensure members are able to approve the statements in order to meet the revised deadlines.

4.4 The audit fee for 2018-19 is estimated at £60,274; members noted that the fee for 2017-18 had been higher than estimated due to the work involved with the auditing of financial statements.

4.5 The certificate presented confirmed that the Auditor has audited the NWFRA's improvement plan certificate and confirms that the Authority has discharged its duties under section 15(6) to (9) of the Local Government (Wales) Measure 2009 in terms of preparing and publishing an Improvement Plan describing its plans to discharge its duties.

4.6 **RESOLVED to note the information provided and to review future meeting dates to enable accounts to be approved in accordance with the revised timetable.**

5 ANNUAL GOVERNANCE STATEMENT

- 5.1 ACO MacArthur presented the annual governance statement to members, prior to it being published as part of the statement of accounts which will be presented at the full Fire and Rescue Authority meeting in September.
- 5.2 Members welcomed the report and recognised the importance of good governance. It was noted that the Authority is responsible for ensuring that its business is conducted in accordance with the law, to proper standards, that public money is safeguarded and properly accounted for. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 5.3 The statement explained how the Authority had taken action on the issues identified within in the Statement on Internal Control for the previous financial year (2016/17), and the progress in 2017/18 was recorded in the statement. Actions for 2018/19 included:
- working with the Cabinet Secretary on the governance and funding arrangements of Welsh FRAs
 - ensuring the ongoing training and development of Members of the NWFRA
 - compliance with the requirements of the General Data Protection Regulation (GDPR)
 - appointment of the Clerk to the Authority/Monitoring Officer
 - reviewing terms of reference of all committees
 - updating the Contract Standing Orders.
- 5.4 **RESOLVED to approve the content of the Annual Governance Statement for 2017/18.**

6 FINANCIAL PERFORMANCE 2017/18

- 6.1 The report submitted informed members of the draft unaudited financial performance of the Authority for 2017/18 and the financial position as at 31 March 2018. The report also sought approval for the carry forward of earmarked reserves.
- 6.2 Sandra Forrest gave members a detailed presentation on the Authority's financial performance in all areas: revenue, income, reserves, grant funded expenditure and capital funding.
- 6.3 Members were informed of the overspend and underspend on various budget lines. Members noted that the original budget for 2017/18 included a contribution from reserves of £414k, however, due to underspends on a number of budget heads the contribution from reserves required to balance the budget was £93k, £321k less than the budgeted amount; this was primarily due to underspends within the Capital financing costs due to slippage in the Capital programme and the change to the MRP policy which was approved by Members. However, cost pressures in a number of areas were noted including staff costs, premises and supplies.

- 6.4 In terms of earmarked reserves, members were reminded about the new national contract for radio communication. Some of the project costs have been funded from the revenue budget in 2017/18 rather than use the reserve set aside specifically for the project. However, as the project is still ongoing it is necessary to have funding available to cover the risk of the Service incurring possible additional costs due to the risks associated with this project including the timescales for transition not being met and that although the current system is partially funded by a grant from the Welsh Government, it is not guaranteed that this will continue. Therefore, the £300k reserve will continue to be carried forward as part of earmarked reserves.
- 6.5 An earmarked reserve of £194k was set up in 2015/16 following the Welsh Government's intention to reduce the grant for community fire safety. Funding for 2016/17 reduced by 50% and even though the level of funding for 2017/18 increased it is expected that the grant for future years will reduce; it was therefore prudent for members to consider carrying over this reserve to fund future expenditure. In summary, the reserves position is as follows:

Scheme	Opening Balance 01-Apr-17 £	Movement 2017/18 \$	Closing Balance 31-Mar-18 £
Reserves			
General Reserve	(2,149,991)	93,083	(2,056,908)
Ill Health Pension Reserve	(100,000)	55,500	(44,500)
Earmarked Reserves	(648,506)	54,000	(594,506)
TOTAL RESERVES and PROVISIONS	(2,898,497)	202,583	(2,695,914)

- 6.6 Members were given the opportunity to ask questions and thereafter **RESOLVED to**
- (i) note the financial position and performance of the Authority;**
(ii) recommend to the Fire and Rescue Authority to approve the rollover of the earmarked reserves as detailed in the paragraphs above.
- 7 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2017/18
- 7.1 The report submitted gave information about the Authority's treasury activity and the actual prudential indicators for 2017/18 and activity with regards borrowings and investments and comments on the economic background for the year.

- 7.2 The Authority's treasury management activities are regulated by a variety of professional codes, statutes and guidance. It is a requirement that a report is presented to Members at the end of the financial year detailing the activity for the year and comparing the indicators set at the start of the year against the actual indicators. The report informs Members of activity with regards borrowings and investments and comments on the economic background for the year.
- 7.3 Sandra Forrest delivered a detailed presentation on treasury management strategy and the economy, borrowing activity, investment activity and prudential indicators. It was noted that the Authority has complied with all statutory and regulatory requirements which limit the level of risk associated with its treasury management activities. For investments made the order of priority has been security, followed by liquidity, then yield. The capital expenditure incurred by the Authority is prudent, affordable and sustainable as demonstrated by the performance indicators produced and the capital financing costs.
- 7.4 Ms Forrest detailed the risks for 2018/19 and explained that in order to mitigate risk as far as possible some of the actions being taken are as follows:
- treasury management advisors (Arlingclose) monitor counterparties on a daily basis as to their creditworthiness and the likelihood of the institution failing;
 - surplus funds are kept to a minimum and the majority are held in call accounts for cash flow purposes;
 - should there be a shortage of Market Loans the Authority is able to switch to PWLB
 - reserve of £100k held to cover any interest rate rises (1% on £10m).
- 7.5 **RESOLVED to recommend to the Fire and Rescue Authority that it approves the actual 2017-2018 Prudential Indicators.**
- 8 INTERNAL AUDIT ANNUAL REPORT 2017/18
- 8.1 Keith Williams presented the report which gave members a summary of the internal audit work undertaken in 2017/18 and to ask for approval of the internal audit needs assessment and draft internal audit plan for 2018/19.
- 8.2 It was noted that the Head of Internal Audit is able to provide assurance to the Audit Committee, based on the internal audit work undertaken, together with maintained knowledge of the organisation and its procedures, that the Authority has effective corporate governance, risk management and internal control arrangements to manage the achievement of the Authority's objectives.
- 8.3 Mr Williams led Members through the report explaining the work that had been undertaken during 2017/18. Mr Williams explained that 50 days out of an allocated 55 had been utilised in 2017/18 and therefore the remaining five days have been carried over to 2018/19.

- 8.4 It was noted that the audit reviews concluded that the Authority's satisfactory governance and assurance upon the systems of internal control. The work of Internal Audit has not identified any weaknesses that would qualify this opinion and there are no significant issues that are relevant to the preparation of the Annual Governance Statement. The report also provided assurance that the Internal Audit Service operates in compliance with the UK Public Sector Internal Audit Standards to enable the Authority to take assurance from this opinion.
- 8.5 Audit work planned for 2018/19 includes looking at creditors, debtors, retained fire stations (Ynys Môn and Gwynedd) and cyber security; officers will also follow up on recommendations made in 2017/18 audits.
- 8.6 Members asked for further information on absence management within the Service in order to be reassured that as much as possible was being done to keep sickness absence to a minimum.
- 8.7 **RESOLVED to endorse that the Authority has had, for the period of 1 April 2017-31 March 2018, satisfactory internal control, risk management and corporate governance process in place to manage the achievement of its objectives.**
- 9 IMPROVEMENT AND WELL-BEING PLAN 2019/20
- 9.1 ACO Shân Morris presented the report which summarised the progress being made through the Authority's Planning Working Group and Executive Panel towards developing the Authority's Improvement and Well-being Plan 2019/20.
- 9.2 Members thanked the officer for the report and confirmed that a more substantial report should be submitted to the full Authority meeting including defining option B in greater detail.
- 9.3 **RESOLVED to note the contents of this report in preparation for the full Authority meeting on 18 June 2018.**