

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 3<sup>rd</sup> June 2013 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
A I Dunbar	Flintshire County Council
J Evans	Anglesey County Council
A Jones	Wrexham County Borough Council
G Lowe	Wrexham County Borough Council
D MacRae	Conwy County Borough Council
D Miles	Conwy County Borough Council
R Parry	Conwy County Borough Council
M Reece	Flintshire County Council
W P Shotton	Flintshire County Council
O Thomas	Flintshire County Council

ALSO PRESENT:

D Docx (Deputy Chief Fire Officer); S Forrest (Accountant, Treasurer's Department, Conwy County Borough Council); M Halstead and K V Williams (Audit, Conwy County Borough Council); V DeZouche (KPMG); L Williams (Wales Audit Office); J Brown (Finance Manager); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

C Hughes	Gwynedd Council
J B Hughes	Gwynedd Council
L A W Jones	Gwynedd Council
P Penlington	Denbighshire County Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 28<sup>th</sup> January 2013 were submitted for approval.

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

### 3 MATTERS ARISING

3.1 Grant funding – the DCFO informed Members that the Welsh Government had now confirmed the grant funding for community safety activities.

### 4 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2012-2013

4.1 The annual treasury report is a requirement of the Authority's reporting procedures. It details the treasury activity and the actual Prudential Indicators for 2012-2013 in accordance with the requirements of the Prudential Code. The Audit Committee's task was to ensure effective scrutiny of the treasury management strategy and policies and based on their findings make recommendations to the Fire Authority.

4.2 Sandra Forrest delivered a presentation expanding on the information which was in four parts: Treasury Management Strategy and the Economy, Borrowing Activity, Investment Activity and Prudential Indicators.

4.3 It was noted that:

- the Authority had complied with all statutory and regulatory requirements which limit the level of risk associated with its treasury management activities
- for investments the priority is always security, liquidity and then yield
- the capital expenditure incurred by the Authority in 2012-2013 was prudent, affordable and sustainable as demonstrated by the prudential indicators produced and the capital financing costs against budget
- due to delays on the Tywyn, Nefyn and Wrexham projects expenditure on the capital programme was less than budgeted
- following a tendering process a new company has been employed to provide treasury management advice - Arlingclose has taken over from Sector.

4.4 Sandra Forrest clarified various issues in answer to Members' questions and thereafter it was **RESOLVED to recommend to the Fire and Rescue Authority the approval of the actual 2012-2013 Prudential Indicators.**

### 5 INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE 2012/13

5.1 The report was presented as part of the Authority's annual requirement to conduct a review of the effectiveness of its system of Internal Control.

5.2 All work planned for 2012/13 had been undertaken, with the exception of the Payroll Starters and Leavers audit, which was replaced by a special investigation and subsequent work as requested by NWFRS management. It was confirmed that the audits undertaken had resulted in a high assurance marking.

- 5.3 The Internal Auditor was satisfied that the internal audit work undertaken, together with maintained knowledge of the organisation and its procedures allowed a reasonable conclusion to be drawn as to the adequacy and effectiveness of the NWFRA risk management, control and governance processes. For the 12 months ended 31st March 2013, NWFRA had satisfactory internal control and corporate governance processes to manage the achievement of the Authority's objectives. It was noted, however, that in giving an audit opinion, the assurance could never be absolute; Internal Audit Service can only provide a reasonable assurance based upon the work undertaken during that year that there are no major weaknesses other than those identified.
- 5.4 The Chair asked about the involvement of internal audit as regards to the Wrexham project, and it was confirmed by the DCFO that an independent external audit had been undertaken and a full report will be provided to the Authority meeting on 17<sup>th</sup> June.
- 5.5 **RESOLVED that the internal audit annual statement of assurance be accepted and utilised to contribute to the evidence content of the 2012/13 annual governance statement.**
- 6 SUMMARY OF INTERNAL AUDIT ACTIVITY 2012/13 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2013/14
- 6.1 The report presented a summary of internal audit work for 2012/13 and Members were asked to approve the internal audit needs assessment and draft internal audit plan for 2013/14.
- 6.2 Three reports were prepared during 2012/13 based on:-
- Retained Stations (Flintshire and Wrexham)
  - Creditors
  - Stores.
- 6.3 Following the initial reports, a follow-up is usually undertaken approximately six months later to ensure actions have been taken to rectify any issues raised. It was noted that the outstanding recommendations noted in appendix B were work in progress and had now been implemented.
- 6.4 Based upon the work undertaken during 2012/13, the Internal Audit opinion of the systems of internal control established by management to effectively manage identified risks was satisfactory.
- 6.5 The draft annual plan for 2013/14 was presented to Members and it was noted that the plan was not set in stone and depending on circumstances could be subject to change within the year.
- 6.6 **RESOLVED to**
- (i) **note the summary of internal audit activity 2012/13; and**
  - (ii) **approve the needs assessment and draft internal audit plan for 2013/14.**

## 7 PERFORMANCE AUDIT WORK AND FEES 2013-14

- 7.1 Lisa Williams from the Wales Audit Office (WAO) presented the WAO's letter about its performance audit work and fees for 2013-14. Ms Williams explained that unlike the local authorities, the fire and rescue authorities do not have a full corporate assessment undertaken every year and it has been decided that the FRA's corporate assessment will reflect the work of the National Issues Committee programme. In 2012/13, the corporate assessment will be based on the HR function within the three fire and rescue services in Wales.
- 7.2 An improvement study will be conducted looking at progress against the Minister's aspirations and ambitions for Welsh Fire and Rescue Authorities as articulated in the National Framework for Wales 2012 onwards.
- 7.3 In addition to the corporate assessment and improvement study, the WAO will also undertake reviews on:
- the Authority's published plans for delivering on improvement objectives (based on 2013/14 plan)
  - the Authority's published performance assessment, including testing and validation of performance information (based on 2012/13 plan)
  - systems to ensure accuracy of performance information.
- 7.4 **RESOLVED to note the contents of the letter and that the fees for the work set out above will be £20,684.**

## 8 ANNUAL FINANCIAL AUDIT OUTLINE

- 8.1 Victoria DeZouche from KPMG presented the WAO's annual financial audit outline document to Members. The outline is prepared annually to meet the requirements of auditing standards and proper audit practices and it also provides the Authority with a summary of the audit work required for the 2012-2013 financial statements.
- 8.2 In order to fulfil his duties, the Auditor General will examine and certify the accounts and he will also need to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 8.3 Ms DeZouche commented that it was pleasing to note that the finance teams from the three fire and rescue authorities continued to work together on the accounts template which should ensure more consistency of financial reports across the three Welsh fire and rescue authorities.
- 8.4 **RESOLVED to note the annual financial audit outline document and that a pension supplement report will be provided to the next meeting of the Audit Committee.**

## 9 FINANCIAL PERFORMANCE 2012-13

- 9.1 Sandra Forrest presented the report together with a presentation which provided a review of the Authority's financial performance for 2012-13. The Audit Committee had been tasked with ensuring effective scrutiny of finance reports and, based on any findings made, make recommendations to the Fire and Rescue Authority.
- 9.2 The report was set out in four parts: review of the revenue expenditure for 2012-13 against budget, reserves and provisions held by the Authority, grant-funded schemes and the final part of the report detailed the capital activity for the year.
- 9.3 Members were aware that the 2012-13 financial year was the second year of a 3-year strategy agreed by Members to reduce the budget in accordance with Central Government's policy to reduce expenditure in the public sector. The savings target of £815,000 for the year had been achieved due to changes to the rostering system and the reduction in firefighters through natural wastage, mostly retirements. Additional savings had also been made during the year due to careful budget management and the awareness that additional savings will be required going forward.
- 9.4 The biggest area of underspend was on employee costs, due to a principal officer post not being filled and because of the changes to the rostering system which required fewer posts. The biggest saving was on retained firefighters due to a recruitment freeze but that has now been lifted and 25 retained firefighters have recently been recruited.
- 9.5 In response to a question about whether there was a need to recruit retained firefighters if there were fewer fires last year, the DCFO explained that whilst it was recognised that there had been fewer fires there had been an increase in other events requiring firefighters' assistance such as flooding and road traffic collisions. Therefore, maintaining a sufficient number of firefighters and providing training and development was vital to ensure the Authority fulfilled its duty. Cllr Lowe reiterated this comment and praised the Service for its work on the prevention agenda.
- 9.6 The DCFO informed Members that notification had been received from the FBU that they were in dispute with the Government about changes to firefighters' pension scheme. The FBU is trying to resist the move to increasing the retirement age to 60. This may have implications for the Authority in the future.
- 9.7 Due to effective budget management, the Authority's general reserve was not used during 2012-13 and with the transfer of the underspend for 2012-13 and earmarked reserves which were not required during the year the new balance on the reserve will be £1,609,000.

9.8 The Authority is also able to hold provisions and has the following provisions: ill-health pension, retained back pay, retained retrospective pension and a professional fees provision. Cllr A Jones asked for further information about the professional fees provision and it was explained that these were fees relating to the Wrexham project, Cllr Jones requested that they be renamed on the appendices as Wrexham project fees.

9.9 **RESOLVED to recommend to the Fire and Rescue Authority the approval of the transfer of the underspends in to reserves and provisions as detailed below:**

Contribution to Fees Provision (Wrexham)	£880,400
Revenue Contribution to Capital (Deeside)	£120,000
Contribution to Provision (Retained Pensions)	£300,000
Contribution to Earmarked Reserves	£216,000
Contribution to General Reserve	£ 32,789