

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 23 September 2013 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough 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
P Penlington	Denbighshire County 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); K Finch (Treasurer to the Authority); 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:

Cllr A I Dunbar	Flintshire County Council
Mike Halstead	Head of Internal Audit, Conwy County Borough Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 3 June 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 There were no matters arising.

At this point, members were reminded about the impending industrial dispute to be held on 25 September, 12pm -4pm, and the information provided by the Chief Fire Officer at the last Authority meeting. The Service has its business continuity plans in place and is also asking the public to take extra care during the strike period.

The Chair suggested that information be provided to the next Audit meeting looking at the impact of strike on the Authority's finances. The DCFO explained that the information will be provided as part of the provisional outturn report to a future meeting of the Authority.

RESOLVED to note the update.

4 TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

4.1 Members were asked to consider the changes made since the Authority's approval of the treasury management strategy and prudential indicators at its March 2013 meeting. The prudential indicators estimated for 2013-14 had changed and there were also new loans and changes to the list of counterparties to be noted. Sandra Forrest delivered a detailed presentation at the meeting.

4.2 Capital expenditure has increased over the original estimate due to schemes that were not fully completed in 2012-2013 rolling over to 2013-2014. Members were provided with a detailed breakdown of the approved budget and rollovers. The DCFO reminded Members that the capital expenditure required remained high because some stations were due to be rebuilt and remodelled. However, once this work is completed, the Authority will move to a maintenance phase and therefore a reduction in capital expenditure.

4.3 Members noted that no new PWLB loans have yet been taken out to support the capital programme in this financial year. Interest rates from local authorities are lower than those offered by PWLB therefore the Authority currently has £7m in short term loans taken out with other local authorities. Members were provided with details of the loans and current interest rates.

4.4 In terms of interest rates forecast, Ms Forrest informed Members that the Treasury Management advisors had advised that there was low risk in increasing the approved upper limit for loans maturing within 12 months from 45% to 50% to take advantage of lower rates for short term borrowing. Therefore Members were asked to consider approving the increase of the upper limit on the maturity structure of borrowing for loans maturing in less than 12 months to 50%.

4.5 **RESOLVED to**

- (i) approve the amended Prudential Indicators;**
- (ii) note the Counterparties;**
- (iii) note the new loans; and**
- (iv) approve the increase in maturity structure to 50% for short term borrowing of under 12 months.**

5 STATEMENT OF ACCOUNTS

- 5.1 Members were asked to approve the audited statement of accounts for 2012-13 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 were 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.
- 5.2 It was noted that a collaborative exercise was undertaken with the other two Welsh fire and rescue services to standardise the format of the FRAs' Statements of Accounts in Wales. The format presented is duplicated in the South Wales and Mid and West FRAs' accounts.
- 5.3 Ms Forrest led Members through the statement of accounts and highlighted that amendments had been made in line with the audit findings as follows:
- reclassification of some items of expenditure from revenue to capital;
 - amendments to the fixed assets total by reinstating some vehicles which had been incorrectly removed and amending the depreciation calculated for the year;
 - reclassification of a Provision to a Creditor;
 - amendment to some of the figures and tables in the notes to the accounts to enhance presentation.
- 5.4 Cllr Shotton was pleased that the Authority had put aside £466,000 to the general reserve and asked if there would be an opportunity to add more to this reserve. The Treasurer confirmed that if there will be an underspend, Members will be informed via the provisional outturn and financial planning reports submitted to the Authority.
- 5.5 In terms of pension issues, Ms Forrest explained the Authority's pension liability and its two types of pension schemes. It was noted that the Local Government scheme is fully funded and contributions are set to meet 100% of the liabilities. The firefighters' scheme is unfunded and is operated outside the revenue account as a separate Pension Fund. The Chair requested that a report on pensions be submitted to the next meeting of the Audit Committee.
- 5.6 The Annual Governance Statement (AGS) had been approved by members in July 2013 and was included as an appendix to the statement of accounts. The statement explains how the Authority has complied with the code of corporate governance; analyses the risks faced by the Authority; and details future plans to deal with these risks. It is a requirement of the Accounts and Audit (Wales) Regulations that the AGS is presented to Members with the accounts.
- 5.7 The letter of representation addressed to both the Wales Audit Office and KPMG from the Authority was also presented for approval. The letter is a requirement of Auditing Standards in that KPMG needs to obtain representations from the Authority to support its audit opinion

- 5.8 Since the statement of accounts had been prepared and distributed to members, there have been developments with regards capital works that have been classified as revenue costs within the statement.
- 5.9 Following the FRA meeting on 16 September, the work on the joint Wrexham project had been reinstated, therefore the fees of £0.88m charged to revenue could now be re-classified as capital expenditure. However, as the decision was made after the accounts were authorised for issue the change will not be recognised in the accounts for 2012-13. The accounts and accounting estimates were prepared on information available at the time, this new information will mean a change to an accounting estimate and as such will be recognised in the current financial period.
- 5.10 Having received clarification regarding various issues Members **RESOLVED to**
- (i) approve the audited Statement of Accounts for 2012-13 and acknowledge the Letter of Representation sent to the External Auditors;**
 - (ii) request a report on pensions to be submitted to the next meeting of the Audit Committee.**

6 AUDIT OF FINANCIAL STATEMENTS

- 6.1 Victoria DeZouche presented the audit of financial statements which summarised the Audit's findings of the 2012/13 accounts. Ms DeZouche confirmed that the accounts would be presented as unqualified, there were no major changes to be made and no material weaknesses had been identified.
- 6.2 Ms DeZouche thanked Sandra Forrest and staff for assisting with the auditing process. Cllr MacRae also thanked Sandra Forrest on behalf of the Audit Committee for all her work and the presentations received at the meeting.
- 6.3 **RESOLVED to note the audit of financial statements.**