

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 27th September 2010 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Cllr E C George (Chair)	Wrexham County Borough Council
Cllr D Barratt	Flintshire County Council
Cllr M Griffith	Gwynedd Council
Cllr W Knightly	Conwy County Borough Council
Cllr D Mackie	Flintshire County Council
Cllr A Tansley	Conwy County Borough Council
Cllr G O Williams	Gwynedd 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); J West (KPMG); J Joyce (Improvement Assessment Coordinator, Wales Audit Office); C Dingle (Finance Manager); A Davies (Member Liaison Officer).

Apologies:

Cllr P C Evans	Conwy County Borough Council
Cllr E M Jones	Gwynedd Council
Cllr N M Jones	Flintshire County Council
C Everett	Clerk
M Halstead	Head of Audit, Conwy County Borough Council

Before the meeting commenced, the Deputy Chief Fire Officer informed Members that firefighter Derrick Williams had died in the early hours of Sunday morning. Mr Williams had been a dedicated firefighter based at Blaenau Ffestiniog for over 30 years. The Service is in close contact with Mr Williams' family and will provide as much support as possible. The Chair asked everyone to observe a minute's silence as a mark of respect.

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 7th June 2010 were approved as a correct record. There were no matters arising.

3 STATEMENT OF ACCOUNTS 2009-10

3.1 The Statement of Accounts was presented to Members for approval. The Fire and Rescue Authority had given delegated authority to the Audit Committee to approve the audited accounts. It was noted that the Executive Panel had also been given an opportunity to comment on the accounts, but no comments had been received.

3.2 Sandra Forrest gave Members a presentation explaining some background information and highlighted two key areas - Revaluation of Assets and Pension Liability and Reserves.

3.3 FRS15 requires the Authority to re-value assets held at current value every 5 years; in order to comply the assets were re-valued in 2009-10 and the table below summarises the information. One of the adjustments to the accounts was to recognise the impairment (downward revaluation) of the assets in the Income and Expenditure.

	Land	Building	Total £
Upward	113,150	2,881,931	2,995,081
Downward	-852,325	-1,174,306	-2,026,631
		Net Position	968,450

3.4 The net worth of the Authority has decreased from -£126,016,000 to -£199,915,000 due mainly to changes in the pension liability for the firefighters' pension scheme which is unfunded. Pension Liability has increased by £75m due to a change in the financial assumptions used for 2009/10. These liabilities are accounting adjustments and do not reflect reduction in cash.

3.5 Whilst the Authority had always been able to hold provisions (a present obligation as a result of a past event), it was noted that 2009-10 was the first year the Authority could hold reserves (to set resources aside for future schemes) due to changes in legislation. The Authority had set aside money for a number of operational reserves at the end of 2009/10, details of which were included in the report.

3.6 This was the third year that KPMG LLP had undertaken the audit of the statement of accounts and their report was once again positive and reflected well on the Authority. They had discovered no uncorrected misstatements and no weaknesses for the first time in the Authority's history. The 'bottom line' change in the accounts, post audit, was to increase the underspend position by £42k – this had been set aside into operational reserves.

3.7 The presentation concluded with an explanation that future statement of accounts would be undertaken on an IFRS basis and the Statement of Internal Control would be changing to a Governance Statement. It was also anticipated that the three Welsh Fire Authorities would be standardising how their accounts were produced.

- 3.8 **RESOLVED to approve the audited Statement of Accounts for 2009-10 and acknowledge the Letter of Representation sent to the External Auditor.**
- 4 INTERNATIONAL STANDARD ON AUDITING 260 - AUDIT OF ACCOUNTING STATEMENTS - REPORT TO THOSE CHARGED WITH GOVERNANCE
- 4.1 Joanne West introduced the paper and informed Members that the audit had run smoothly and a positive report produced with no improvements needed to internal controls.
- 4.2 Members' attention was drawn to the Auditor's findings as follows:
- "I have no concerns about the qualitative aspects of your accounting practices and financial reporting;
 - there are no uncorrected misstatements;
 - I do not expect to modify the standard auditor's report;
 - I did not identify any material weaknesses in your internal controls;
 - there are no other matters that I am required by other ISAs to report to you; and
 - there are no other significant audit matters of governance interest to report."
- 4.3 It was confirmed that all recommendations from last year's report had been completed.
- 4.4 Members congratulated and thanked staff from the Service and Conwy County Borough Council for their work.
- 4.5 **RESOLVED to note the Audit of Accounting Statements - report to those charged with Governance.**
- 5 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - REVIEW OF WORK DONE TO DATE
- 5.1 Members received a presentation on the IFRS at the June meeting and since then KPMG has reviewed the work done on developing the accounting statements. As the guidance on how to prepare the balance sheet is still in development, the work has not been concluded; however, there are no issues with the work done to date.
- 5.2 Joanne West informed Members that the auditors were supportive of the idea to standardise the FRAs' accounts in Wales as it would simplify the auditing process and some of the work could be shared between the accountants.
- 5.3 **RESOLVED to note the update.**
- 6 INTERNATIONAL FINANCIAL REPORTING STANDARDS IMPLEMENTATION UPDATE AND OTHER CHANGES TO THE STATEMENT OF ACCOUNTS FOR 2010-11
- 6.1 The report was presented to provide an update on the implementation of the IFRS and to inform Members of other changes to the accounts for the financial year 2010-11.

6.2 At the last meeting Members were informed that unless statutory changes were introduced, employee benefits would be charged to the year in which they were earned with the introduction of IFRS - the estimated cost of employee benefits to the Authority would be about £369,000. However, legislation to reverse the accrual has now been enacted.

6.3 **RESOLVED to**

- (i) **note that the restated accounts for 2009-10 would be completed by the end of October 2010;**
- (ii) **note the update regarding the employee benefits;**
- (iii) **note that the annual governance statement (replacing the statement of internal control) would be submitted to the Audit Committee followed by the full Authority meeting in June 2011;**
- (iv) **approve that the Audit Committee takes responsibility for scrutinising the draft Annual Governance Statement.**

7 RECENT INTERNAL AUDITS UNDERTAKEN

7.1 Keith Williams updated Members about recent internal audits undertaken. It was noted that most of the work is scheduled for the second part of the year and will include reviewing data protection and community fire safety.

7.2 Following the first audit, a follow-up audit is undertaken within six months. The income audit report's original opinion was 'satisfactory' with seven recommendations. The follow up audit had recently been completed and the opinion had been reassessed as 'good'.

7.3 An internal audit had been carried out on Retained stations within Denbighshire and covered a number of areas involved with the running of an RDS station. Recommendations had been made and a follow up audit will be undertaken at a later date. The report had been shared with all county operations managers who are responsible for RDS stations.

7.4 **RESOLVED to note the information.**

The Chair agreed to the Deputy Chief Fire Officer's request to give Members an update on the budget process for 2011-12.

8 BUDGET PROCESS UPDATE 2011-12

8.1 The DCFO informed Members that the Executive Panel had established a small working group to deal with budget development, the membership of which consists of a representative from each council.. The comprehensive spending review will be published on 20th October and the Authority will have to set its budget at the December meeting. The Assembly is planning for a 3% year on year reduction. The working group met on 14th September and discussed various options. Further options were being worked up for consideration by the working group at its next meeting on 8th October.

- 8.2 It was confirmed that regular budget meetings are held with all heads of departments to discuss possible areas for reduction.
- 8.3 Currently the constituent authorities' contribution is on average 2.8% of their budget, if this was reduced to 2.5%, it would mean a 10% reduction to the Service's budget. It was noted that a standstill budget would also have an immediate effect.
- 8.4 In response to a Member's question about the Audit members' involvement with the budget planning, the DCFO confirmed that all Members of the Fire and Rescue Authority will be receiving a budget reductions options book to help them formulate the revenue budget for 2011/12.
- 8.5 **RESOLVED to note the update.**