

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 2 June 2014 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 G Evans	Anglesey County Council
C Hughes	Gwynedd Council
G Lowe	Wrexham County Borough Council
D MacRae	Conwy County Borough Council
M Reece	Flintshire County Council
W P Shotton	Flintshire County Council
D Simmons	Denbighshire County Council
O Thomas	Flintshire County Council
R Wright	Gwynedd 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); C Dingle (Finance Manager); R Price (Wales Audit Office); V Stevens (KPMG); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

A Jones	Wrexham County Borough Council
D Miles	Conwy County Borough Council
G G Williams	Gwynedd Council

Officers

C Everett	Clerk and Monitoring Officer
K Finch	Treasurer

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 27 January 2014 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.

4 FINANCIAL AUDIT OUTLINE

4.1 V Stevens 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 2013-14 financial statements.

4.2 Members were informed of the key areas that are considered by KPMG. It was confirmed that KPMG will link in with Internal Audit to ensure there is no duplication of work and the Audit Committee will receive regular reports in accordance with the timetable set out in the document.

4.3 It was noted that there had been a slight increase to the fee due to inflationary pressures and this had been agreed with the Deputy Chief Fire Officer. Should an urgent matter come up during the year which required at least two or three days' work by KPMG then there would be an additional fee for those additional days.

4.4 Members were given the opportunity to ask questions about the document prior to moving to the resolution.

4.5 **RESOLVED to note the annual financial audit outline document.**

5 PERFORMANCE AUDIT WORK AND FEES 2014-15

5.1 R Price from the Wales Audit Office presented the WAO's letter setting out the performance audit work and fees for 2014-15.

5.2 The WAO will be auditing the Authority's Improvement Plan, Assessment of Performance, financial management, governance and performance management. In addition, the WAO proposes to undertake Local Government (including fire and rescue authorities) studies on the following topics: "delivering with less", which will involve a study tracking the levels of investment in fire and rescue services over recent years and the financial position summary which will give an all-Wales picture of financial resilience.

5.3 In response to a member's concern about grant funded projects such as the Phoenix initiative, Mr Price confirmed that these projects and their positive outcomes will be discussed in the annual improvement report to be presented to the next meeting of the Executive Panel. The DCFO commented that it would be beneficial for the Authority if the WAO could look at all prevention and community safety initiatives and calculate how much money has been saved to the public sector as a whole through these initiatives.

5.4 **RESOLVED to note the contents of the letter and that the fees for the work set out above will be £15,292 with a caveat that should additional work be identified there may be an additional fee.**

6 ANNUAL GOVERNANCE STATEMENT

- 6.1 The Annual Governance Statement (AGS) was presented to members for comment, prior to it being presented with the full set of accounts. The AGS is a way of reporting publicly the extent to which an Authority complies with its own Code of Corporate Governance.
- 6.2 The Finance Manager delivered a presentation detailing each principle of the AGS and how the Authority has monitored the effectiveness of its governance arrangements. Internal Audit has also audited the governance arrangements and made recommendations which will form part of the Authority's planned actions to ensure it maintains and continuously improves its governance arrangements.
- 6.3 Members thanked the Finance Manager for the detailed presentation and officers answered members' queries. Cllr G Lowe suggested that the consultation strategy should focus on consulting with the community and going out to meet with community councils to highlight the work that the Service does in the community and its importance. The DCFO explained that this would be taken into consideration and that Members will have an opportunity to discuss consultation matters further at the June Authority meeting.
- 6.4 **RESOLVED to approve the Annual Governance Statement for 2013-14.**

7 FINANCIAL PERFORMANCE 2013-14

- 7.1 Sandra Forrest presented the report together with a presentation which provided a review of the Authority's financial performance for 2013-14. 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.
- 7.2 Members were reminded that 2013-14 was the final year of a 3 year strategy with a savings target over the three years of £2.4m or 7.5% of the budget . The strategy had been successful and the savings target met through, mainly, changing working practices across the Service and reduction of posts across the whole Service.
- 7.3 Members were given an overview of the main areas where there had been variances against budget. Members were reminded that the Authority had previously agreed to utilise the underspend to finance the capital programme in order to reduce debt charges in future years. The presentation included an update on the RDS claim for retrospective access to the firefighter's pension scheme, negotiations had been concluded and a further assessment of the liability found that the current provision, £300k, would not be sufficient to cover the liability so it would be necessary to use some of the underspend to fund the claim.

- 7.4 Noting the overspend on the pensions' budget due mainly to ill-health retirements in the year, the Chair asked how employees' sickness absence was monitored by the Service; it was agreed that a report be presented to the next Audit Committee meeting detailing the work undertaken to deal with sickness absence.
- 7.5 Cllr Dunbar asked about the consequences of direct grants from the WG being stopped or curtailed and the DCFO explained that there were a number of risks in this area and that officers were discussing the issues with WG officials and Members will be kept informed.
- 7.6 Members noted the information about the Authority's reserves and that it was prudent to hold a general reserve to be used to offset the current year's budget and to cover any contingent liabilities that may arise. The Audit Committee had previously requested that £100k be set aside in an 'interest reserve' and due to interest rates not increasing this reserve had not been utilised. It is recommended that a new 'capital reserve' is established to finance the capital programme when it is most beneficial to do so, in order that the savings made by reducing debt charges for future budgets are maximised.
- 7.7 The Authority is able to hold provisions and has the following provisions:
- pension provision to cover ill-health retirements and related lump sum payments not covered by the pension scheme,
 - retained back pay provision – the majority of the settlement of the back pay was made in 2013-14, however it is expected that there may still be some claims in 2014-15.
 - RDS retrospective pension claim which has been increased to £636k to meet all the liabilities.
- 7.8 Last year, the Authority also had a provision in place to deal with any fees for the Wrexham project that could not be allocated to the capital programme, as the project has now progressed the provision is no longer needed and it is recommended that the balance of the provision be transferred to the new capital reserve mentioned above.
- 7.9 Having received the presentation and asked questions of officers, it was **RESOLVED to recommend to the Fire and Rescue Authority the:**

(i) transfer of the underspend into Reserves and Provisions as follows:

Capital Reserve – to finance the capital programme to reduce future debt charges	£1,000,000
Retained Pensions Provision – to fully offset the liability now that negotiations have concluded	£336,358

(ii) transfers between Reserves and Provisions as follows:.

Fees provision Wrexham – no longer required - transfer to Capital Reserve	£880,400
Earmarked Reserve 2013-14 – expenditure funded from revenue - transfer to General Reserve	£116,000

8 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2013-2014

8.1 The annual treasury report is a requirement of the Authority's reporting procedures. It details the treasury activity and the actual prudential indicators for 2013-2014 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 and Rescue Authority.

8.2 Sandra Forrest delivered a detailed presentation on Treasury Management Strategy and the Economy, Borrowing Activity, Investment Activity and Prudential Indicators.

8.3 In summary, it was confirmed 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 the 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 prudential indicators produced and the capital financing costs.

8.4 **RESOLVED to recommend to the Fire and Rescue Authority the approval of the actual 2013-2014 prudential indicators.**

9 INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE 2013/14

9.1 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.

9.2 Internal Audit had audited retained stations in Conwy and South Gwynedd, NWFRS income, corporate governance and NFI initiative. Although some minor recommendations had been made the audit opinion for each area of work had received a high assurance marking. It was noted that the Internal Audit would be checking within the year to ensure all recommendations had been taken forward.

9.3 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 NWFRS risk management, control and governance processes. NWFRS 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.

- 9.4 **RESOLVED that the internal audit annual statement of assurance be accepted and utilised to contribute to the evidence content of the 2013/14 annual governance statement.**
- 10 SUMMARY OF INTERNAL AUDIT ACTIVITY 2013/14 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2014/15
- 10.1 Keith Williams from Internal Audit, Conwy County Borough Council presented the report which gave members a summary of the internal audit work undertaken in 2013/14 and to ask for approval of the Internal Audit Needs Assessment and Draft Internal Audit Plan for 2014/15.
- 10.2 The terms of reference of Internal Audit are documented in the Service Level Agreement for the provision of financial services with Conwy County Borough Council for the period 1st April 2011 to 31st March 2015.
- 10.3 All work planned for 2013/14 had been undertaken apart from staff training and development which had been substituted for an audit of corporate governance. Planned work for 2014/15 included auditing home fire safety checks; staff training and development and payroll – starters and leavers.
- 10.4 **RESOLVED to**
(i) note the summary of internal audit activity 2013/14; and
(ii) approve the needs assessment and draft internal audit plan for 2014/15.
- 11 THE FIREFIGHTERS' PENSION SCHEME – NEW GOVERNANCE REQUIREMENTS
- 11.1 The DCFO informed members of new governance requirements which will need to be introduced as a result of the Public Service Pensions Act 2013 in relation to the Firefighters' Pension Schemes. From 1 April 2015 a new local pension board must be established and will include employer and employee representatives in equal numbers. As a consequence the Authority will be required to nominate up to three Fire and Rescue Authority members to sit on this board.
- 11.2 Members felt that it was essential that the Chair of the Audit Committee be one of the nominated members on the new pensions board.
- 11.3 **RESOLVED to**
(i) note the information in the report;
(ii) nominate the Chair of the Audit Committee to be a member of the new pensions board.