

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 6 June 2016 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
Cllr A Evans	Wrexham County Borough Council
J G Evans	Anglesey County Council
C Hughes	Gwynedd Council
A M Jones	Gwynedd Council
P Prendergast	Denbighshire County Council
W P Shotton	Flintshire County Council
D Taylor	Wrexham County Borough Council
O Thomas	Flintshire County Council
J Vaughan	Conwy County Borough Council
D Wisinger	Flintshire County Council

ALSO PRESENT:

D Docx (Interim Treasurer and Deputy Chief Fire Officer); G Owens (Deputy Clerk); S Forrest (Accountant, Treasurer's Department, Conwy County Borough Council); K V Williams (Audit Department, Conwy County Borough Council); (Mark Jones, Wales Audit Office); J Brown (Head of Finance); A Davies (Member Liaison Officer).

APOLOGIES:

A I Dunbar	Flintshire County Council
D MacRae	Conwy County Borough Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES OF THE MEETING HELD ON 25 JANUARY 2016

2.1 The minutes of the meeting held on 25 January 2016 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 IMPROVEMENT PLANNING WORKING GROUP PROGRESS REPORT

4.1 The DCFO presented the report which informed Members of the progress of the Improvement Planning Working Group. The DCFO also delivered a presentation detailing the draft improvement objectives to be considered by the Authority at its meeting on 20 June 2016.

4.2 Members discussed the report and presentation and thereafter it was **RESOLVED to note the progress report.**

5 AUDIT FEE 2015-16

5.1 Mark Jones from the Wales Audit Office presented the report which notified members of the WAO's fee for the work undertaken on the performance audit programme for 2015-16.

5.2 Part of the programme was the local study on financial resilience and it was noted that the Authority's report was positive and was to be congratulated on the work undertaken in this area. Members asked whether the WAO shared best practice that had been identified across organisations and it was noted that there is a good practice exchange on the WAO's website. It was also noted that the performance audit work would be scaled down for 2016-17.

5.3 **RESOLVED to note the fee of £15,136 associated with the WAO's performance audit programme for 2015-16.**

6 AUDIT PLAN AND FEES 2016-17

6.1 Mr Jones then presented the WAO's draft audit plan for the Authority for 2016-17. The plan detailed the work to be undertaken including audit of financial statements report, improvement plan certificate and assessment of performance certificate and an annual summary of audit and assessment reports. The estimated fee for the financial and performance audit work is £49,800.

6.2 It was noted that the WG grant that subsidised the WAO's payment for the Authority's performance audit work had come to an end. Therefore, in 2016-17 the WAO will "restrict its audit work to providing assurance that the Authority has carried out its statutory planning and reporting requirements, and monitoring governance and management arrangements to satisfy itself that the Authority has the necessary arrangements in place to deliver improvements".

6.3 **RESOLVED to note the WAO's audit plan and fees for 2015-16.**

7 ANNUAL GOVERNANCE STATEMENT

- 7.1 The Annual Governance Statement (AGS) was presented to members for comment, prior to it being presented with the full set of accounts in September 2016. The AGS is a way of reporting publicly the extent to which an Authority complies with its own Code of Corporate Governance.
- 7.2 The DCFO led members through the AGS and explained the work that was being done under each principle. Recommendations for improvement had been made in 2014-15 and members were informed of progress made under each recommendation during 2015-16. New actions are planned for 2016-17 including improved collaboration between emergency service partners; enhance project management; arrangements for the introduction of the Wellbeing of Future Generations Act 2015 and further improve knowledge of health, safety and wellbeing in the organisation.
- 7.3 **RESOLVED to recommend the Annual Governance Statement 2015-16 for onward submission to the Authority.**

8 FINANCIAL PERFORMANCE 2015-16

- 8.1 Sandra Forrest presented the report together with a detailed presentation of the Authority's financial performance for 2015-16. 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.
- 8.2 Ms Forrest detailed the savings and the overspend against various budget lines and answered members' questions. Savings against budget included:
- energy costs - £50k – costs reduced due to lower consumption due to the role of the energy monitoring officer' and lower prices.
 - fuel and travelling - £214k saving due to lower prices and changes to delivery of home safety checks.
 - communications - £212k- lower costs of the mobile phone contract/landlines.
- 8.3 It was noted that there had been overspend in the following areas:
- maintenance - £209k – capital spend reclassified as revenue and write off the re-location costs of Conwy Court (£60k) as it was not an Authority asset. However, money would be saved on rent in the long term.
 - operational equipment/uniforms – £50k - purchased earlier than budgeted to take advantage of procurement savings
 - computer costs - £187k – additional costs for the new national contract for a radio communications system
 - co-responding pilot - £78k – a new initiative established during the financial year so no budget had been set.

8.4 Members were reminded that the Authority had agreed to fund some of the capital expenditure on short term assets through a contribution from revenue, in particular light vehicles and equipment for fleet, noting that the savings realised will be on debt repayment and borrowing costs. At the March 2016 Authority meeting, it had been agreed to use any underspend to fund the capital programme and this amounted to £641,158 for 2015-16.

8.5 In terms of the capital expenditure, the following was noted:

- original budget was set at £10.85m. This was revised upwards at the beginning of the year to £12.2m to take into account rollovers from the previous year, the majority of which was for Wrexham and Deeside stations, vehicles and equipment
- there was no major slippage in the year apart from expenditure on specific IT projects such as Command and Control refresh, ICCS relocation and other smaller IT projects
- the programme was mostly funded by loans but other funding applied was from the capital reserve, revenue, external contributions and capital receipts.

8.6 **RESOLVED to note:**

- the previous decision to part-fund the capital programme from revenue increasing it from £534,048 to £641,158; and
- the transfers between reserves and provisions as detailed below:

Scheme	Opening Balance 01-Apr-15 £	Movement 2015/16	Closing Balance 31-Mar-16
Provisions			
Ill Health Pension Provision	(269,000)	169,000	(100,000)
Retained Back Pay Provision	(26,841)	26,841	
Retained Retrospective Pension Provision	(666,940)	666,940	
TOTAL PROVISIONS	(962,781)	862,781	(100,000)
Reserves			
General Reserve	(1,816,836)	(862,781)	(2,679,617)
Earmarked Reserves	624,506		(624,506)
Capital Reserve	(740,400)	340,400	(400,000)
TOTAL RESERVES	(3,181,742)	(522,381)	(3,704,123)

9 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2015-2016

- 9.1 The annual treasury report is a requirement of the Authority's reporting procedures. It details the treasury activity and the actual prudential indicators for 2015-2016 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.
- 9.2 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.
- 9.3 Members discussed the interest rates in terms of borrowing and loans. Ms Forrest explained that the current strategy was to delay borrowing activity as long as possible and use reserves and balances to temporarily fund the capital programme. A change in strategy was suggested which involved increasing the number of temporary loans in order to take advantage of the low interest rates available on short term borrowing. A cautious approach was being taken with investments and were being kept short up to three months.
- 9.4 Ms Forrest detailed the risks for 2016/17 and explained that in order to mitigate any risk as far as possible the following actions are taken:
- TM 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
 - reserve held of £100k to cover any interest rate rises (1% on £10m).
- 9.5 **RESOLVED to recommend to the Fire and Rescue Authority the approval of the actual 2015-2016 prudential indicators.**

10 INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE 2015/2016

- 10.1 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.
- 10.2 It was confirmed that the Head of Internal Audit was of the opinion that the Authority had adequate and effective control process to manage its achievement of the Authority's objectives between 1 April 2015 and 31 March 2016. The overall opinion will be used in the preparation of the annual governance statement.
- 10.3 **RESOLVED that the internal audit annual statement of assurance be accepted and utilised to contribute to the evidence content of the 2015/16 annual governance statement.**

- 11 SUMMARY OF INTERNAL AUDIT ACTIVITY 2015/16 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2016/17
- 11.1 Keith Williams from Internal Audit, Conwy County Borough Council presented the report which gave members a summary of the internal audit work undertaken in 2015/16 and to ask for approval of the Internal Audit Needs Assessment and Draft Internal Audit Plan for 2016/17.
- 11.2 Keith Williams led Members through the report explaining the work that had been undertaken during 2015/16. All work planned had been undertaken, apart from the sickness absence audit which had been replaced by an audit of facilities management – planned maintenance and minor works. Planned work for 2016/17 includes sickness absence, pensions and cyber crime prevention and detection. In addition, follow-up audits will also be undertaken of the recommendations made in 2015/16.
- 11.3 **RESOLVED to**
- (i) note the summary of internal audit activity 2015/16;and**
 - (ii) approve the needs assessment and draft internal audit plan for 2016/17.**