

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 1 June 2015 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
A Evans	Wrexham County Borough Council
J G Evans	Anglesey County Council
D Macrae	Conwy County Borough Council
M Reece	Flintshire County Council
W P Shotton	Flintshire County Council
D Simmons	Denbighshire County Council
D Taylor	Wrexham County Borough Council
O Thomas	Flintshire County Council
R Wright	Gwynedd Council

ALSO PRESENT:

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

APOLOGIES:

Councillors:

A I Dunbar	Flintshire County Council
D Miles	Conwy County Borough Council
G G Williams	Gwynedd Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES OF THE MEETING HELD ON 26 JANUARY 2015

2.1 The minutes of the meeting held on 26 January 2015 were submitted for approval.

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

3 MATTERS ARISING

3.1 (3.1) Local Pension Board - Noted that the first meeting had been held on 20 April 2015 and Cllr W T Owen had been elected Chair of the Board for two years.

3.2 (4.3) Reverse Repurchase Agreements (Repos) – Ms Forrest confirmed that Conwy CBC has approved the use of Repos but they are not yet in use. A further update will be provided once they have been used.

4 AUDIT FEE 2014-15

4.1 the report was presented to notify members of the WAO's fee for the work undertaken on the performance audit programme for 2014-15. Steve Barry from the Wales Audit Office confirmed that the work planned for 2014-15 had been completed apart from the annual improvement report which was currently in draft format.

4.2 **RESOLVED to note the fee of £15,292 associated with the WAO's performance audit programme for 2014-15.**

5 AUDIT PLAN AND FEES 2015-16

5.1 Mr Barry then presented the WAO's draft audit plan for the Authority for 2015-16. The plan detailed the performance work to be undertaken including improvement audit and assessment, follow-up work on the data quality review and the 'Delivering with Less' study completed in 2014-15. The total of the proposed fee for the financial audit and performance audit work is £49,636.

5.3 In response to a member's question about fees, it was confirmed that a fee scheme is published on the WAO's website which includes the hourly fee of staff. It was confirmed that it is not normal procedure to issue a detailed, itemised invoice for work undertaken.

5.4 In terms of sharing best practice identified by auditors, it was confirmed that this is done in an informal way through discussions with officers and there is also a section on the WAO's website detailing good practice.

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

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 in September 2015. 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 DCFO led members through the AGS and explained the work that was being done under each principle. Recommendations for improvement had been made in 2013-14 and members were informed of progress made under each recommendation during 2014-15. New actions are planned for 2015-16 including the establishment of a sustainability and environmental strategy which had been delayed from 2014-15 due to awaiting the publication of Wellbeing of Future Generations (Wales) Act 2015. Other work to be undertaken is as follows: improving knowledge of expected high standards of conduct and behaviour among staff and improving data protection and compliance with the Regulation of Investigatory Powers Act.

6.3 **RESOLVED to recommend the Annual Governance Statement 2014-15 for onward submission to the Authority.**

7 FINANCIAL PERFORMANCE 2014-15

7.1 Sandra Forrest presented the report together with a detailed presentation of the Authority's financial performance for 2014-15. 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 the budget for the year 2014-15 was planned in line with the objectives set out in the Improvement Plan of delivering 30,000 home fire safety checks, maintaining the current level of service provision and optimising fire and rescue cover in North Wales using alternative options to RDS. Ms Forrest confirmed that these objectives had been achieved whilst staying within budget.

7.3 Ms Forrest gave members an overview of the main areas where there had been variances against budget. The position with regards the level of reserves and provisions held by the Authority as at 31 March 2015 was conveyed to Members. The underspend for the year before transfers to and from reserves was £1,058,553. It was requested that Members recommend to the FRA that the underspend be used for 'Direct Financing of Capital Expenditure' and an element to be transferred in to reserves to cover the transitional costs of the ESMCP replacement radio project and the shortfall in the HFSC grant for 2015-16. These transfers were in line with the previously approved use of the projected underspend.

7.4 It was noted that grant funding for 2014/15 had been awarded for specific projects such as home fire safety checks, Phoenix and Arson Reduction. However, for 2015/16 grant funded projects will reduce significantly and the Authority will need to take that into consideration in future budget planning discussions.

7.5 The capital budget, which was originally set at £8.575m, had been revised upwards at the beginning of the year to £15.28m to take in to account rollovers from the previous year, the majority of which was for Wrexham and Tywyn fire station projects. Due to slippage on the Wrexham, Tywyn and Deeside projects the actual expenditure for the year was £6.654m. The programme was mostly funded by loans and internally borrowed funds but other funding applied was from the capital reserve, revenue, external contributions and capital receipts.

- 7.6 Members also noted the following:
- the support staff budget includes community safety practitioners and legislative fire safety staff
 - Nefyn fire station is due to be officially opened on 9 June 2015
 - Land has been purchased for the new Tywyn fire station
 - Wrexham station is still on target to be completed by January 2016
 - although there has been a decrease in fire incidents there has been an increase in special service calls such as flooding incidents and road traffic collision incidents. In terms of RTC incidents, it is pleasing to note that through improved joint working with the other emergency services the Service is only being called out to RTC incidents where the Service is required and it can be of assistance rather than being called out as a matter of course.

7.7 **RESOLVED to recommend to the Fire and Rescue Authority:-**

- (i) £534,048 of the underspend be used for direct financing of capital expenditure;**
- (ii) the remaining underspend of £524,506 be transferred in to earmarked reserves;**
- (iii) the transfer from the capital reserve as detailed below:**

Direct Financing Capital Expenditure -	
WDS Rural Vehicles (approved by FA Sept 15)	£300,000
Lease buyout and Equipment (approved by FA March 15)	£234,048
Contribution to reserves-	
Radio transitional Costs (approved by FA Dec 15)	£300,000
Cover the reduction in HFSC Grant (new)	£224,506
Underspend Total	£1,058,554
Capital Reserve to support fund capital programme	-£700,000

8 TREASURY MANAGEMENT ACTIVITY AND ACTUAL PRUDENTIAL INDICATORS FOR 2014-2015

- 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 2014-2015 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 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.
- 8.4 **RESOLVED to recommend to the Fire and Rescue Authority the approval of the actual 2014-2015 prudential indicators.**

At this juncture, Councillors A Evans, M Reece and P Shotton left the meeting.

9 INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE 2014/15

- 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 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 2014 and 31 March 2015. The overall opinion will be used in the preparation of the annual governance statement.
- 9.3 **RESOLVED that the internal audit annual statement of assurance be accepted and utilised to contribute to the evidence content of the 2014/15 annual governance statement.**

10 SUMMARY OF INTERNAL AUDIT ACTIVITY 2014/15 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2015/16

- 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 2014/15 and to ask for approval of the Internal Audit Needs Assessment and Draft Internal Audit Plan for 2015/16.
- 10.2 Keith Williams led Members through the report explaining the work that had been undertaken during 2014/15 and that a follow-up audit on corporate governance will be carried out in July 2015. All work planned had been undertaken apart from staff training and development which had been substituted for an audit of Rhyl Community Fire Station. Planned work for 2015/16 includes sickness absence, payroll, pensions – data quality and the national fraud initiative which is done in partnership with the Wales Audit Office.
- 10.3 **RESOLVED to**
(i) note the summary of internal audit activity 2014/15;and
(ii) approve the needs assessment and draft internal audit plan for 2015/16.

11 FITNESS STANDARDS FOR OPERATIONAL PERSONNEL

- 11.1 At the last meeting members had reviewed the establishment of a local pension board which had prompted a questions about the link between the national pension dispute and fitness of firefighters.
- 11.2 ACFO Simmons delivered a presentation to raise awareness of the issues surrounding health, wellbeing and particularly the levels of fitness required for operational firefighting. It was noted that a firefighter must be healthy and fit to undertake the role as it involves a variety of tasks that can be both physically and mentally arduous and often unpredictable in nature and duration. From an employer or organisational perspective, the Service needs to be confident it can provide an operational response service sufficient to bring an incident to a safe conclusion.
- 11.3 Members were informed that between January and June 2015, 62% of operational staff had undertaken the fitness test, and only four firefighters had originally failed the test but, the four had then passed the re-test six weeks later having been given assistance and support to improve their health and fitness. The Service employs a qualified Physical Fitness Adviser who undertakes all the tests and fitness equipment is available on all stations.
- 11.4 **RESOLVED to thank ACFO Simmons for the presentation and note the information provided.**