

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 26th September 2011 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

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| Cllr D Barratt (Chair) | Flintshire County Council |
| Cllr M Griffith | Gwynedd Council |
| Cllr D Kelly | Wrexham County Borough Council |
| Cllr J A Kelly | Wrexham County Borough Council |
| Cllr D Mackie | Flintshire County 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); L Williams (Wales Audit Office); V DeZouche (KPMG); C Dingle (Finance Manager); S Teal-Bromley (Executive Support Manager); A Davies (Member Liaison Officer).

Apologies:

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| Cllr E C George | Wrexham County Borough Council |
| Cllr E M Jones | Gwynedd Council |
| C Everett | Clerk |
| M Halstead | Head of Audit, Conwy County Borough Council |

In Cllr George's absence, Cllr D Barratt chaired the meeting.

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES

2.1 The minutes of the meeting held on 6th June 2011 were approved as a correct record. There were no matters arising.

3 AUDIT OF FINANCIAL STATEMENTS

3.1 Victoria DeZouche introduced the report and explained that Anthony Barrett, as the Appointed Auditor, had been responsible for auditing the financial statements. Ms DeZouche was pleased to announce that an unqualified audit report will be issued once Letters of Representation have been received from the Authority. Members' attention was drawn to two minor corrections made to the draft financial statements as follows:

- reclassification of short term investment to cash and cash equivalents in line with IFRS (£2,004,000)
 - reclassification of pension provision to earmarked reserves (£165,000).
- 3.2 The Deputy Chief Fire Officer thanked Sandra Forrest for all her work in interpreting the IFRS guidance and restating the accounts and this was reiterated by Members.
- 3.3 **RESOLVED to note that the Auditor had concluded that the financial statements gave a true and fair view of the financial position of North Wales Fire and Rescue Authority at 31 March 2011 and its income and expenditure for the year then ended.**
- 4 STATEMENT OF ACCOUNTS 2010-11
- 4.1 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.
- 4.2 Sandra Forrest gave Members a presentation and explained that the accounts had been prepared for the first year in accordance with International Financial Reporting Standards which was a fundamental change to UK Local Authority financial reporting. This was also the first year the accounts had included the Annual Governance Statement which replaced the Statement of Internal Control.
- 4.3 The report presented to Members in June on the Financial Performance for 2010-11 reported an underspend of £627k. However, during the close down process it was decided that it would be prudent to allocate some capital costs against revenue, this reduced the underspend to £223k. These changes were due, mainly, to the Wrexham project as money had been spent reviewing possible sites that were no longer considered suitable and could therefore not be classed as capital expenditure.
- 4.4 Sandra Forrest explained that the main changes to the accounts under the new standards were the adoption of component accounting for new capital spend; a review of leases to ensure they have been classified correctly; an assessment of employee benefits; and changes to the main statements in the Statement of Accounts. The Income and Expenditure Account and Statement of Recognised Gains and Losses had been replaced with a Statement of Comprehensive Income and Expenditure on a BVACOP (Best Value Accounting Code of Practice) basis.
- 4.5 Members were reminded that this was the second year that the Authority was able to hold reserves and the balance held in the general reserve is £641k. The general reserve will be used to offset any unforeseen liabilities that may occur, for example an increase in incidents due to inclement weather conditions, and to cover possible transitional costs involved in changes to front line services to achieve the required budget savings.

4.6 In response to a question about pensions, it was confirmed that the Authority is the responsible body for pensions and as such the total pension liability as at the close of the financial year is included in the Statement of Accounts. However, the actual annual cost to the Authority is based on a percentage of the employee's salary being paid in to a pension fund and for the Firefighter's scheme the Welsh Government has the responsibility for 'topping up' any deficit on the Firefighter's Pension Fund administered by the Authority. Members were directed to page 56 of the accounts where details on the fund could be found.

4.7 Members had been provided with copies of the letters of representation; one letter of representation to the Appointed Auditor to support the Appointed Auditor's opinion on the financial statements, in this case the Wales Audit Office. The additional letter was a requirement of Auditing Standards in that KPMG needed to obtain representations from the Authority to support their audit opinion which is addressed to the Appointed Auditor.

4.8 **RESOLVED to approve the audited Statement of Accounts for 2010-11 and acknowledge the Letters of Representation to be sent to the External Auditors.**

5 TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

5.1 The report was presented to the Audit Committee as it is a requirement of the CIPFA Prudential Code for Capital Finance and the Code of Practice on Treasury Management that monitoring of treasury management activity is delegated to a responsible body and for the Authority the Audit Committee have been given that responsibility.

5.2 The Strategy for 2011-12 was approved at the Authority meeting in March 2011, however, there had been new loans and changes to the Prudential Indicators since that meeting. Sandra Forrest provided information on the changes and explained that Sector, the Treasury Management Advisors, had recommended that the Authority continue with short term borrowing as long as it is within the limits set in the approved strategy. Due to the economic climate the organisations on the counterparty list are closely monitored and any ratings changes are notified to the Authority on a daily basis.

5.3 **RESOLVED to**
(i) approve the amended Prudential Indicators detailed in the report;
(ii) note the investment counterparties as detailed in the report; and
(iii) note the new loans.

6 UPDATE FROM THE INTERNAL AUDIT TEAM

6.1 Keith Williams gave an update about the work of the internal audit team. The Freedom of Information audit and follow-up audit had been completed. More follow-up audits were due to be undertaken in January. Fleet Management had been audited over a period of 10 days and the report was currently being written.

- 6.2 It had come to light that an external contractor working for the Service had been submitting fraudulent claims on other contracts. The Audit Team would be investigating all claims to the NWFRS, and therefore the stores/canteen audit will not be undertaken in the current financial year.
- 7 UPDATE FROM THE WALES AUDIT OFFICE
- 7.1 Lisa Williams presented the letter sent to the Chief Fire Officer regarding the Improvement Assessment: Performance Indicator Audit. Members were reminded that the fire and rescue authorities in Wales collect and publish details of how they have performed against a series of performance indicators (PI) set by the Welsh Government.
- 7.2 The Wales Audit Office staff had undertaken a PI audit of the 12 National Strategic Indicators during July and August this year which were all found to be correctly stated. However, they had identified an issue with 'over the border' incidents but this had been resolved by the beginning of the current financial year.
- 7.3 **RESOLVED to note the update provided.**