

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 30 January 2017 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

D MacRae (Chair)	Conwy County Borough Council
A I Dunbar	Flintshire County Council
J G Evans	Anglesey County Council
A M Jones	Gwynedd Council
W P Shotton	Flintshire County Council
D Taylor	Wrexham County Borough Council
W O Thomas	Flintshire County Council
J Vaughan	Conwy County Borough Council

ALSO PRESENT:

D Docx (Deputy Chief Fire Officer); K Finch (Treasurer); G Owens (Deputy Clerk); S Forrest (Head of Accountancy and Exchequer Services, Conwy County Borough Council); K V Williams (Audit Department, Conwy County Borough Council); M Jones (Wales Audit Office); A Davies (Member Liaison Officer).

APOLOGIES:

J R Skelland	Wrexham County Borough Council
Cllr A Evans	Wrexham County Borough Council
G G Williams	Gwynedd Council
D Wisinger	Flintshire County Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES OF THE MEETING HELD ON 12 SEPTEMBER 2016

2.1 The minutes of the meeting held on 12 September 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.

In response to a request from Mark Jones from the Wales Audit Office, Members agreed to change the order of the agenda and therefore brought forward the agenda item on the annual audit letter.

4 ANNUAL AUDIT LETTER

- 4.1 Mark Jones from the Wales Audit Office presented the annual audit letter to members. It confirmed that the Authority had complied with its responsibilities relating to financial reporting and use of resources and that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 4.2 Members were reminded that the WAO's audit of financial statements report, submitted to the Audit Committee and the full FRA at the September meetings, had identified issues relating to the maintenance of the asset register and also some issues around accounting for all its income and expenditure in its primary statements. Additional work had been undertaken by the WAO in order to resolve these issues and therefore a fee of £15,500 had been added to the original fee estimate of £34,500 that was set out in the annual audit plan for 2015-16. Members challenged Mr Jones on this late addition to WAO's fees and Mr Jones gave further information about the fee scale parameters for the fire and rescue authorities which are set out in the WAO's published document Fee Scheme 2016-17.
- 4.3 **RESOLVED to note the annual audit letter which is published on both the Authority's and the Wales Audit Office's websites.**

5 PRUDENTIAL INDICATORS, TREASURY MANAGEMENT STRATEGY, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION POLICY

- 5.1 The report presented to Members the prudential indicators, treasury management strategy, investment strategy and minimum revenue provision policy for 2017/18. The Audit Committee's task was to ensure effective scrutiny of the treasury management strategy and policies and based on its findings make recommendations to the Fire and Rescue Authority. Ms Forrest led Members through the report, with the aid of a detailed presentation, and answered Members' questions.
- 5.2 Members were advised that an internal audit of the treasury management function had identified a risk for Conwy County Borough Council (CBC) in that the professional negligence policy did not cover losses when dealing with third party funds, such as North Wales Fire and Rescue Service. In order to address this issue, it was noted that Conwy CBC is proposing to amend the Service Level Agreement (SLA) that is in place with the Fire and Rescue Authority to include a proviso that 'Conwy CBC will show due diligence when managing North Wales Fire and Rescue Service funds and any losses incurred due to bank failures/fraud/corruption etc. will be the responsibility of the Fire and Rescue Authority unless it can be proved that Conwy CBC was negligent in the management of those funds'. It was also noted that the risk to the Fire and Rescue Authority of agreeing to the amendment is low as Conwy CBC has an excellent track record and always manage those funds within the strategy approved by Members at the beginning of the financial year.

- 5.3 Members' attention was also drawn to the fact that Conwy CBC has renewed its contract for banking services for the next three years and that this is included as part of the SLA between Conwy CBC and NWFRA.
- 5.4 Members were pleased to note that a North Wales Inter-Authority lending/borrowing group is to be set up as part of the collaborative working initiatives between public sector bodies; this group will save on brokerage fees and will reduce the risk involved in lending and borrowing.
- 5.5 **RESOLVED to approve each of the four key elements of the report and the recommendations contained therein, and recommend these to the Fire and Rescue Authority:**
- (i) **a list of prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;**
 - (ii) **the treasury management strategy outlining the strategy to be followed regarding short and long-term borrowing for 2017/18 in accordance with the CIPFA Code of Practice on Treasury Management;**
 - (iii) **the strategy to be followed regarding the investment of Fire and Rescue Authority funds;**
 - (iv) **the minimum revenue provision policy;**
 - (v) **in addition, that the amendment to the SLA with Conwy CBC as detailed in minute 5.2 be approved.**

6 INTERNAL AUDIT STRATEGY 2017-2020

6.1 Keith Williams from Internal Audit, Conwy County Borough Council, presented the internal audit strategy for the Authority for 2017-20. It was noted that an annual report of work completed in 2016/17 will be presented to the September meeting together with a work plan of audits to be undertaken in 2017/18.

6.2 **RESOLVED to note and accept the internal audit strategy as presented.**

7 LOCAL GOVERNMENT PENSION FUND DEFICIT

7.1 The Treasurer presented the report which asked for Members' approval to utilise the facility of borrowing funds on a rolling basis to fund, in advance, the deficit due for the three financial years 17/18, 18/19 and 19/20. It was anticipated that this will enable the Authority to save up to £138,600 over the next three years.

7.2 The Authority has received the preliminary actuarial valuation results for the next three years and the total deficit is £2,302,000. Members were informed that the Clwyd Pension Fund has notified the Fire and Rescue Authority that by making the payments earlier, savings will be made on interest payments due on the deficit contributions. If the full three years are paid in April 2017, the savings would be up to £138,600.

- 7.3 It was noted that presently, the Authority is able to borrow funds, through Conwy Borough Council, on a six month rolling basis at a rate lower than the savings percentage offered by Clwyd Pension Fund. It has therefore been confirmed that this would be advantageous to the Fire and Rescue Authority. There is a risk that interest rates may rise in future so it would be prudent to review this situation at the time of the next full actuarial review.
- 7.4 Members welcomed the report which had the potential to save the Authority a significant amount of money over three years. Members enquired whether this approach would be suitable for other budgetary areas of the Authority in order to make savings.
- 7.5 **RESOLVED to approve, in principle, the payment of the deficit lump sum due for the next three years in April 2017, which will result in savings of up to £138,600 over the next three financial years.**