

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

Minutes of the Audit Committee Meeting of the North Wales Fire and Rescue Authority held on 11 September 2017 at the Fire and Rescue Headquarters, St Asaph. Meeting commenced at 2pm.

PRESENT

Councillors:

J R Skelland (Chair)	Wrexham County Borough Council
B Apsley	Wrexham County Borough Council
A Daniels	Gwynedd Council
A I Dunbar	Flintshire County Council
P Evans	Denbighshire County Council
I D Lloyd	Gwynedd Council
G Lowe	Wrexham County Borough Council
D Rees	Anglesey County Council
W P Shotton	Flintshire County Council
W O Thomas	Flintshire County 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); A Hughes (Wales Audit Office); A Davies (Member Liaison Officer).

APOLOGIES:

Councillors:

S Glyn	Gwynedd Council
S Lloyd-Williams	Conwy County Borough Council
N Smith	Conwy County Borough Council
D Wisinger	Flintshire County Council

1 DECLARATIONS OF INTEREST

1.1 None.

2 MINUTES OF THE MEETING HELD ON 10 JULY 2017

2.1 The minutes of the meeting held on 10 July 2017 were submitted for approval.

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

### 3 MATTERS ARISING

- 3.1 *Annual Governance Statement – the DCFO drew members' attention to the fact that although the AGS had been considered at the July meeting, it had been revised following discussion with the WAO and was re-presented for consideration at this meeting.*
- 3.2 *Cyber security audit – there had been a delay in this audit being undertaken, however, it was now underway and was expected to be completed shortly.*

In response to the Chair's request, members agreed to the re-ordering of the agenda and therefore the statement of accounts was to be discussed together with the audit of financial statements at the end of the meeting.

### 4 ANNUAL GOVERNANCE STATEMENT

- 4.1 The DCFO presented the revised annual governance statement (AGS) 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.
- 4.2 **RESOLVED to approve the content of the of the annual governance statement for 2016/17.**

### 5 TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS

- 5.1 The report was presented in order for the Audit Committee to review the report before submission to the Fire and Rescue Authority. A requirement of the CIPFA Prudential Code is that prudential indicators are monitored on a regular basis and any significant changes approved. Similarly, changes to long term borrowing and counterparties need to be reported as part of the CIPFA code on Treasury Management.
- 5.2 Sandra Forrest delivered a presentation at the meeting and provided Members with handouts which contained additional information on the capital programme, loans and interest rates. Ms Forrest answered Members' questions and 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.
- 5.3 The following key points were noted:
  - 5.3.1 The three key prudential indicators - capital financing requirement, operational boundary and authorised limit for 2017-2018 have changed due to the actual expenditure on the capital programme for 2016-2017 being less than the estimated outturn.
  - 5.3.2 Members were informed of the second Markets in financial Instruments Directive (MiFID II) which will change the way that local authorities can access financial services from January 2018 onwards. For local authorities to have access to financial markets they will need to hold £10m in investments in

order to be classified as a 'professional' client. If they are not granted 'professional' status they will be unable to deal through the brokerage firms they currently use as they will be classed as 'retail'. None of the main broker and adviser firms are currently authorised to serve retail clients including Arlingclose, the Authority's treasury advisors.

5.3.3 Members expressed great concern about the MiFID II and the consequent implications. Having discussed the issue at length it was agreed that a letter be sent to the relevant authorities including WLGA, LGA, UK Government, Financial Conduct Authority, CIPFA, expressing concern about the proposed status of 'retail' that would be given to North Wales Fire and Rescue Authority. It was felt that the letter should also be copied to all AMs and MPs in North Wales. The DCFO confirmed that the other FRAs are in the same position and that the issue will be discussed at the next NIC meeting. The letter will also be copied to members of the Audit Committee.

5.4 **RESOLVED to recommend to the Fire and Rescue Authority that the:**  
**(i) amended prudential indicators be approved;**  
**(ii) Treasurer send a letter to all relevant authorities including MPs and AMs expressing concern about the MiFID II and the proposed status of retail for NWFRA.**

6 BUDGET PREPARATION FOR 2018/19

6.1 The DCFO delivered a presentation "funding matters" which gave members an overview of the work involved in planning the budget for 2018-19 and beyond.

6.2 The DCFO explained the Authority's 'steady strategy' over the last few years which had included various methods in order to reduce the budget whilst also building up a general reserve for the future; in addition, the Authority had adhered to its planned long term capital programme to upgrade all NWFRS' premises and this had now been completed.

6.3 Known budget pressures for 2018-19 include employees' pay awards, estates maintenance costs and using reserves to underpin the budget. Some of the options available to deal with the budget pressures and ensure a balanced budget include capital revaluation (£348,000), pay the local government pension scheme in advance (£46,000) and reducing other budget lines to save £100,000. Another option to be considered also was to increase the local authorities' contributions.

6.4 **RESOLVED to:**  
**(i) note the information provided; and**  
**(ii) request that Audit Committee members be kept informed of the budget preparatory work for 2018 onwards.**

7 STATEMENT OF ACCOUNTS 2016-17 AND AUDIT OF FINANCIAL STATEMENTS REPORT

7.1 The Audit Committee has been tasked with ensuring effective scrutiny of the financial reports and based on members' findings make recommendations to the Authority. In compliance with the Accounts and Audit Regulations (Amendment Wales) 2010 the statements must be approved by 30 September.

7.2 The Treasurer explained that the statement of accounts submitted to this meeting needed to be amended as a consequence of the audit work that had been undertaken by the Wales Audit Office.

7.3 The Chair expressed concern that the issues had not been resolved prior to the meeting and the Treasurer explained that due to various issues including WAO timescales and the lack of resource and time available to the accountancy team to be able to resolve them. Amanda Hughes from the Wales Audit Office explained that some complex issues had been raised in all three FRAs in Wales' statements of accounts and therefore the WAO had to obtain technical advice.

7.4 It was anticipated that all issues will be resolved satisfactorily by the 30 September deadline and that the revised statement of accounts will be presented to the FRA meeting on 18 September 2017 for approval.

7.5 **RESOLVED to note**

**(i) the current position; and**

**(ii) that a revised statement of accounts will be presented to the Authority on 18 September 2017.**