

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held **MONDAY 18 SEPTEMBER 2023**
at **09.30 hrs** virtually **via Zoom**.

Yours faithfully,
Gareth Owens
Clerk

AGENDA

1. Apologies

2. Declarations of Interest

3. Notice of Urgent Matters

Notice of items which, in the opinion of the Chairman, should be considered at the meeting as a matter of urgency pursuant to Section 100B (4) of the Local Government Act, 1972.

4. Minutes of the Meeting held on 19 June 2023

5. Matters Arising

6. Training session – Introduction to Treasury Management

7. Audit Wales Audit Plan

8. Internal Audit Update

9. Treasury Management Update Report

10. Procurement Update

11. Proposal for Budget Scrutiny Working Group

12. Urgent Matters

To consider any items which the Chair has decided are urgent (pursuant to Section 100B (4) of the Local Government Act, 1972) and of which substance has been declared under item 3 above.

PART II

It is recommended pursuant to Section 100A (4) of the Local Government Act, 1972 that the Press and Public be excluded from the meeting during consideration of the following item(s) of business because it is likely that there would be disclosed to them exempt information as defined in Paragraph(s) 12 to 18 of Part 4 of Schedule 12A of the Local Government Act 1972.

13. None

NORTH WALES FIRE AND RESCUE AUTHORITY
AUDIT COMMITTEE

Minutes of the **Audit Committee** of the North Wales Fire and Rescue Authority held on Monday 19 June 2023 virtually via Zoom. Meeting commenced at 09.30hrs.

Councillor

Nigel Smith (Chair)
Mark Young (Deputy Chair)
Michelle Blakeley-Walker
Gwynfor Owen
Arwyn Herald Roberts
Tina Claydon
Bryan Apsley
John Brynmor Hughes

Representing

Conwy County Borough Council
Denbighshire County Council
Denbighshire County Council
Gwynedd Council (left 09:45)
Gwynedd Council (left 10:30)
Flintshire County Council (10:00)
Wrexham County Borough Council
Gwynedd Council

Also present:

Helen MacArthur
Dafydd Edwards
Sioned Jones
Anne-Marie Harrop
Charles Black
George Jones
Lisa Allington

Assistant Chief Fire Officer
Treasurer
Conwy County Borough Council
Mersey Internal Audit Agency
Mersey Internal Audit Agency
Atebol - Translator
Executive Assistant

1 APOLOGIES

Councillor

Marc Jones
Beverley Parry-Jones
Austin Roberts

Representing

Wrexham County Borough Council
Wrexham County Borough Council
Conwy County Borough Council

ABSENT

Councillor

Marion Bateman
Jeff Evans
Adele Davies-Cooke

Representing

Flintshire County Council
Anglesey County Council
Flintshire County Council

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest to record.

3 NOTICE OF URGENT MATTERS

3.1 There was no notice of urgent matters.

4 MINUTES OF THE MEETING HELD ON 20 MARCH 2023

4.1 The minutes of the meeting held on 20 March 2023 were submitted for approval.

4.2 **RESOLVED to:**

i) approve the minutes as a true and accurate record of the meetings held.

5 MATTERS ARISING

5.1 There were no matters arising.

6 INTERNAL AUDIT ANNUAL REPORT 2022/23

6.1 Sioned Jones from Conwy County Borough Council (CCBC) introduced herself to the meeting and presented the paper on the Internal Audit Annual Report 2022/23, which explained that, under the terms of the Accounts and Audit (Wales) Regulations 2014 Part 3 5. (2), the North Wales Fire and Rescue Authority (the Authority) is required annually to conduct a review of the effectiveness of its system of Internal Control. Internal Audit is an integral part of that system and is a significant contributor to the preparation of the Annual Governance Statement.

6.2 The report analysed the work of the Internal Audit Service for 2022/23 and contained the assurance statement based on the work of Internal Audit during the year ended March 2023.

6.3 It was noted that it was the Head of Audit's opinion that the Authority had adequate and effective control processes to manage its achievement of the Authority's objectives for the 12-month period to 31 March 2023.

6.4 Cllr Smith took the opportunity to thank Conwy County Borough Council colleagues for their hard work and support over the last 12-months.

6.5 **RESOLVED to:**

i) note the content of Head of Audit and Procurement's Annual Report and the overall 'opinion' upon the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

7. APPOINTMENT OF NEW INTERNAL AUDIT

7.1 ACFO MacArthur presented the Appointment of New Internal Audit paper, which outlined for Members the provision of internal audit services from 1 April 2023. The report also sought approval to appoint Mersey Internal Audit Agency (MIAA) as the Authority's internal auditor for the period 1 April 2023 – 31 March 2026.

7.2 It was clarified that MIAA were able to offer a bilingual service.

7.3 **RESOLVED to:**

- i) endorse the recommendation of the panel and approve the appointment of Mersey Internal Audit Agency as the Authority's internal audit providers for the financial period 1 April 2023 - 31 March 2026.**

8 TREASURY MANAGEMENT REPORT

8.1 Dafydd Edwards, Authority Treasurer, presented the Treasury Management Report which aimed to inform Members of the treasury management activity and prudential indicators for the Authority during the 2022/23 financial year. It was noted that this paper was a requirement of the Prudential Code.

8.2 Both ACFO MacArthur and Helen Howard, Head of Finance, were thanked for their hard work in this area.

8.3 It was asked what impact interest rate rises would have on the budget and responded that there should be no additional impact other than that which had already been accounted for.

8.4 One Member enquired as to whether the Welsh Government (WG) were offering any support with regards to finance, especially bearing in mind the requirement to be carbon neutral by 2030, and responded that whilst capital funding did not come from the WG, individual grants were applied for where possible.

8.5 **RESOLVED to:**

- i) note the treasury management activity; and**
- ii) approve the final prudential indicators for 2022/23.**

9 PROVISIONAL OUTTURN 2022/23

9.1 ACFO MacArthur presented the Provisional Outturn 2022/23 paper which presented the draft revenue and capital expenditure position for 2022/23 and confirmed the timetable for the production of the annual statement of accounts.

9.2 The main expenditure headings and draft outturn positions net of provisions and reserve movements were highlighted to Members.

- 9.3 ACFO MacArthur asked Members to note that the Service had been successful in drawing down an additional £300k within the last financial year from the Apprenticeship levy. This levy had not previously been available to the Service, and was not something that could be relied upon in future years.
- 9.4 It was asked how the Service's earmarked reserves compared to other Services, and whether the current level was something that could be maintained in future years. ACFO MacArthur responded that the amount held in our reserves was below that of the other Welsh FRS', and that this level would become more difficult to maintain over the next few years due to additional cost pressures.
- 9.5 Thanks were offered to ACFO MacArthur and her team for their hard work compiling this draft Provisional Outturn Report.
- 9.5 **RESOLVED to:**
- i) note the draft revenue and capital outturn position for the 2022/23 financial year as detailed within the report; and**
 - (ii) note the timescales for the production of the annual statement of accounts and the external audit thereof.**

10 URGENT MATTERS

- 10.1 There were no urgent matters to discuss.

At this juncture, Anne-Marie Harrop and Charles Black from MIAA joined the meeting and introductions were made. Cllr Smith welcomed MIAA, both as the Authority's new Internal Auditors and to the Audit Committee.

Meeting closed 10:17 hrs

Report to	Audit Committee
Date	18 September 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources
Contact Officer	Mike Whiteley, Audit Wales
Subject	Audit Plan 2023



PURPOSE OF REPORT

- 1 The purpose of this report is to confirm the 2023 Audit Plan which details the audit approach and work to be undertaken by Audit Wales as North Wales Fire and Rescue Authority (the Authority)'s statutory auditors.

EXECUTIVE SUMMARY

- 2 Audit Wales is the statutory auditor for the Authority and its work covers the financial statements, the Local Government (Wales) Measure 2009 and the sustainable development principle arising from the Authority's wellbeing objectives.
- 3 The audit plan for 2023 is contained within appendix 1 and confirms the auditor's responsibilities and proposed approach.

RECOMMENDATIONS

- 4 It is recommended that Members:
 - i. Note the scope of the work undertaken by Audit Wales.

IMPLICATIONS

Wellbeing Objectives	The audit plan considers the arrangements for delivering the sustainable development principle contained within the Authority's well-being objectives
Budget	The consideration of the Authority's arrangements for value for money is contained within the audit plan
Legal	The external audit of the Authority's financial statements is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	Not directly applicable
Equalities/ Human Rights/ Welsh Language	The performance audit work will consider a range of measures including compliance with equality and Welsh language duties where applicable.
Risks	The work of Audit Wales will be planned around known risks.

North Wales Fire and Rescue Authority – Detailed Audit Plan 2023

Audit year: 2022-23

Date issued: July 2023

Document reference: 3668A2023



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

About Audit Wales

Our aims and ambitions

Assure



the people of Wales that public money is well managed

Explain



how public money is being used to meet people's needs

Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

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Introduction

I have now largely completed my planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

My audit responsibilities

I complete work each year to meet the following duties:

- I audit North Wales Fire and Rescue Authority's (the Authority) financial statements to make sure that public money is being properly accounted for.
- the Authority has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.
- under the Local Government (Wales) Measure 2009 (the Measure) the Authority has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Authority is likely to (or has) met these requirements.
- the Authority needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.

In addition to my responsibilities for auditing the Authority's financial statements, I also have responsibility for responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary).

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.

Performance audit work

I carry out a programme of performance audit work to discharge my duties¹ as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of bespoke local projects and thematic projects examining risks common to all Authorities.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

¹ When we undertake audit work under our statutory powers and duties we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

Financial statements materiality



My financial statements audit will concentrate on your risks and other areas of focus

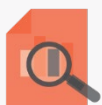
My audit planning has identified the following risks:

Significant financial statement risks

- Management override of controls
- New material financial systems

Other areas of audit focus

- Valuation of pension fund net liability
- Valuation of land and buildings
- New preparers of the financial statements



My performance audit will include:

- Thematic review – Targeting prevention
- Local Government Measure 2009 – improvement plan and performance report audit



Materiality

Materiality	£955,000
Reporting threshold	£47,000
Materiality – Firefighters Pension Fund	£222,000
Reporting threshold – Firefighters Pension Fund	£11,000



Materiality – Main financial statements £955,000 – Firefighters Pension Fund £222,000

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts into being misled.

Materiality is calculated using:

- Draft 2022-23 gross expenditure of £47,770,000
- Draft 2022-23 gross expenditure of £11,107,000 (Firefighters Pension Fund)
- Materiality percentage of 2%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Senior Officer remuneration £1,000
- Related party disclosures (individuals) £10,000

Other areas of focus

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p>Management override of controls The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • assess the design and implementation of controls over journal entry processing; • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for bias; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>New material financial systems The service level agreement for the provision of financial systems between the Authority and Conwy County Borough Council ended on 31 March 2022. From 1 April 2022, the Authority has implemented a new financial system which will be used for the 2022-23 financial year, with the 2022-23 financial statements being produced from data from the new financial systems.</p>	<ul style="list-style-type: none"> • Our IT Audit team will complete a controls assessment on NWFRA's IT infrastructure and Network, in addition to a detailed review of the Technology One financial systems. • The controls assessment will include reviewing reconciliations between the 2021-22 closing balances with the 2022-23 opening balances, to ensure completeness and accuracy of data in the new financial system.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net liability The Local Government Pension scheme (LGPS) and Firefighters Pension Scheme (FFPS) pension fund liability as reflected in the financial statements represent material estimates. The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary; and • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures required.
<p>Valuation of land and buildings The value of land and buildings reflected in the balance sheet and notes to the accounts represent material estimates. Land and buildings are required to be held on a valuation basis which is dependant on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness; • evaluate the competence, capabilities and objectivity of the professional valuer; • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements;

year on year, and there is a risk that the carrying value of assets reflected in the accounts maybe materially different to the current value of assets as at 31 March 2023.

- evaluate the assumptions made by management as to why it considers that land and buildings not revalued in 2022-23 are not materially misstated; and
- test the reconciliation between the financial ledger and the asset register.

New preparers of the accounts

The service level agreement between the Authority and Conwy County Borough Council that ended on 31 March 2022, included the preparation of the financial statements.

This represents a risk for the Authority as it takes on new roles and responsibilities which were previously provided under this agreement.

The audit team will review and test the processes and controls involved in reporting transactions for all material classification of transactions, account balances and disclosures.

Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Detailed Audit Plan	June – July 2023	August 2023
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	July – October 2023	October 2023

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

Thematic review – Targeting prevention	This review will consider whether the three Fire and Rescue Services in Wales have a comprehensive, collaborative and strategic approach to targeting fire prevention work to address the demands placed on services by high-risk individuals.	Autumn 2023 – Winter 2024
Local Government Measure 2009	Audit of improvement plan and performance report.	Improvement Plan – June 2023 Performance Report – November 2023

We will provide updates on the performance audit programme through our regular updates to those charged with governance.

Statutory audit functions

Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £72,237.

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ²	Actual fee last year (£)
Audit of accounts ³	55,857	53,628
Performance audit work ⁴	16,380	16,051
Total fee	72,237	69,721

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Authority.

Our financial audit fee is based on the following assumptions:

- the agreed audit deliverables set out the expected working paper requirements to support the financial statements and includes timescales and responsibilities; and
- no matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

² Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

³ Payable November 2022 to October 2023.

⁴ Payable April 2023 to March 2024.

Exhibit 6: my local audit team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales
Mike Whiteley	Audit Manager (Financial Audit)	02920 829389	mike.whiteley@audit.wales
Carwyn Rees	Audit Manager (Performance Audit)	02920 829375	carwyn.rees@audit.wales
David Tomalin	Audit Lead (Financial Audit)	02920 829386	david.tomalin@audit.wales
Nigel Griffiths	Audit Lead (Performance Audit)	02920 320655	nigel.girffiths@audit.wales

I can confirm that my team members are all independent of the Authority and your officers.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about

getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none">• information on your organisation’s business model and how it integrates the use of information technology (IT);• information about your organisation’s risk assessment process and how your organisation monitors the system of internal control;• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and• more detailed discussions with your organisation to support the audit team’s assessment of inherent risk.
Obtaining an enhanced understanding of your organisation’s environment, particularly in relation to IT	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none">• IT applications relevant to financial reporting;• the supporting IT infrastructure (eg the network, databases);• IT processes (eg managing program changes, IT operations); and• the IT personnel involved in the IT processes. <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on your organisation
<p>Enhanced requirements relating to exercising professional scepticism</p>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p>Risk assessments are scalable depending on the nature and complexity of the audited body</p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p>Audit teams may make greater use of technology in the performance of their audit</p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

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We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Report to	Audit Committee
Date	18 September 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Update



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with an update of the work undertaken by North Wales Fire and Rescue Authority (the Authority)'s internal audit providers, MIAA.

EXECUTIVE SUMMARY

- 2 The Authority is required to put arrangements in place for the audit of systems of control. MIAA was appointed in June 2023 to provide internal audit services to the Authority.
- 3 The report contained within Appendix 1 provides an overview of the work in progress since appointment. The Internal Audit Charter is also contained within Appendix 2.

RECOMMENDATIONS

- 4 It is recommended that Members:
 - i. Note the work undertaken by MIAA to date and reviews planned for the remainder of the financial year; and
 - ii. Note the content of the internal audit charter.

BACKGROUND

- 5 The Accounts and Audit (Wales) Regulations 2014 (the Regulations) require the Authority to make proper and effective arrangements for systems of internal control. This includes the arrangements for the management of risk and adequate and effective financial management.
- 6 The Regulations also require an adequate and effective internal audit of the systems of internal control, the findings of which must be reported to Members of the Authority. The Authority is required to approve the Statement of Internal Control annually.

- 7 The Authority appointed MIAA as its internal auditor at the Audit Committee meeting of the 18th June 2023.

INFORMATION

- 8 The report contained within Appendix 1 provides an overview of the work progress since the appointment in June 2023. This confirms that the review of the Authority's arrangements for the management of payroll and absence management has commenced. The payroll system is a core financial system and transactions account for over 70% of expenditure.
- 9 The report also outlines that work has commenced in relation to the National Fraud Initiative (NFI). MIAA will provide support in reviewing potential data matches to provide assurance on the Authority's underpinning arrangements.
- 10 The work of MIAA will also focus on other risk areas including the Authority's arrangements for the management of cyber security. This work is currently in the planning stage and will progress in the coming weeks.
- 11 The work undertaken by MIAA is governed by the Internal Audit Charter which is contained within Appendix 2 for information. This is a requirement of the Public Sector Internal Audit Standards (2017).

Wellbeing Objectives	The operation of financial systems that are properly controlled supports the delivery of the well-being objectives and longer-term sustainability of services.
Budget	Assurance on the existence and operation of internal controls supports the effective budget setting process.
Legal	An effective internal audit arrangement is a requirement of the Accounts and Audit (Wales) 2014 Regulations
Staffing	The review of key financial systems including payroll provide assurance that controls are present and that payments are in accordance with agreed policies and procedures.
Equalities/ Human Rights/ Welsh Language	The engagement lead with MIAA is bi-lingual and reports will be subject to normal translation processes.
Risks	<p>The Statement of Assurance is submitted in compliance with the Accounts & Audit Regulations and the Public Sector Internal Audit Standards. Without such assurance from the Members would be unaware of the adequacy & effectiveness of the corporate governance, risk management & internal control arrangements and its associated ability to achieve its objectives.</p> <p>Any significant issues or weaknesses identified by Internal Audit would not be considered in the preparation of the Annual Governance Statement.</p>

Internal Audit Progress Report

Audit Committee (August 2023)

North Wales Fire and Rescue Service

Contents

1 Introduction

2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Assurance Definitions and Risk Classifications

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2023/24 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period 20th June 2023 to 18th August 2023

3 Executive Summary

2023/24 Audit Reviews

The following reviews are in progress:

- Payroll and Absence management (fieldwork)
- National Fraud Initiative (Initial meeting completed, matches obtained and approach agreed)

We have also agreed to review several policies and procedures from an Anti-Fraud perspective these are - Whistleblowing policy, Anti-fraud & Corruption and Gifts & Hospitality.

Follow Up

There is no follow up work to report at this stage, but we have completed the handover from Conwy Council.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. There are no current proposals to amend the approved audit plan.

Added Value

Events


- [Strengthening our sector – How we can harness our community assets through effective community leadership \(15th September 2023\)](#)
- Governance and Risk network [GARNet \(20th September 2023\)](#)
- [Understanding Anxiety in the workplace \(18th October 2023\)](#)

Events are free to all clients and booking can be made by clicking on the above link or via our website www.miaa.nhs.uk and click on Events .

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 23/24:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management Core Controls:		Q4 delivery		TBC
Key Financial Systems		Q3 delivery		TBC
National Fraud Initiative:	N/A	Planning and initial meeting held to consider matches and approach		December 2023
Payroll & Attendance Management		In progress		December 2023
IT – Cyber Organisational Controls		Planning		December 2023
Follow Up				
Q1	N/A	Completed by Conwy Council Auditors	N/A	June 2023
Q4	N/A	Q4 delivery		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Contingency – Added Value Support & Guidance				
Policy and Procedure review Whistleblowing policy, Anti-fraud & Corruption and Gifts & Hospitality	N/A	In progress	N/A	N/A

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	No issues to report
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Final report includes a questionnaire for client feedback	Green	
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	
Percentage of recommendations which are implemented	Follow Up will be reported twice per year	Green	
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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Internal Audit Charter (August 2023)

North Wales Fire and Rescue Service

Contents

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- 3 Standard 1100 – Independence and Objectivity
- 4 Standard 1200 – Proficiency and Due Professional Care
- 5 Standard 1300 – Quality Assurance and Improvement Programme
- 6 Standard 2000 – Managing the Internal Audit Activity
- 7 Standard 2100 – Nature of Work
- 8 Standard 2200 – Engagement Planning
- 9 Standard 2300 – Performing the Engagement
- 10 Standard 2400 – Communicating Results
- 11 Standard 2500 – Monitoring Progress
- 12 Standard 2600 – Communicating the Acceptance of Risks

13 Definitions

1 Introduction

The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2017) and is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

This Charter is structured around the Public Sector Internal Audit Standards (2017), the CIPFA Local Government Application Note (LGAN) and aligned to the Core Principles for the Professional Practice of Internal Auditing.

Public Sector Internal Audit Standards – Attribute Standards
1000 - Purpose, Authority and Responsibility 1100 - Independence and Objectivity 1200 - Proficiency and Due Professional Care 1300 - Quality Assurance and Improvement Programme
Public Sector Internal Audit Standards – Performance Standards
2000 - Managing the Internal Audit Activity 2100 - Nature of Work 2200 - Engagement Planning 2300 - Performing the Engagement 2400 - Communicating Results 2500 - Monitoring Progress 2600 - Communicating the acceptance of risks

MIAA confirms ongoing compliance with the Public Sector Internal Audit Standards.

¹ The Definition of Internal Auditing Copyright © 2009 by The Institute of Internal Auditors, Inc., 247 Maitland Avenue, Altamonte Springs, Florida 32710-4201 U.S.A. Reproduced with permission.

2 Standard 1000 – Purpose, Authority and Responsibility

Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹”.

The provision of assurance services is the primary role for internal audit in the public sector. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. The main purpose of internal audit activity within the public sector is therefore to provide the Accountable or Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The Director of Internal Audit’s opinions is a key element of the framework of assurance that the Accountable or Accounting Officer needs to inform the completion of the Annual Governance Statement (AGS).

Internal audit also provides an independent and objective consultancy service which is advisory in nature, and generally performed at the specific request of the organisation. Such consultancy work is separate from but contributes to the opinion which internal audit provides on risk management, control and governance. When performing consulting services, the internal auditor will maintain objectivity and not take on management responsibility.

The above functions drive MIAA's Mission to support 'the transformation and effective delivery of public services by being a trusted partner in the provision of assurance and solution services that improve outcomes and really make a difference'.

Assurance Reviews will provide individual audit opinions to support the annual Director of Internal Audit Opinion. Formal agreement will be sought for the provision of third party assurances to other bodies in respect of the services provided by the organisation.

In accordance with the organisation's Financial Regulations, Internal Auditors will (without necessarily giving prior notice) have access to all records (including those of a confidential nature) and employees of the organisation.

3 Standard 1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Internal Audit will have direct and unrestricted access to senior management and the Audit Committee.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Director of Internal Audit will report functionally to the Audit Committee. and establish effective communication with, and have free and unfettered access to, the Accountable Officer, the Treasurer, Director of Governance and the Chair of the Audit Committee. This will include communicating and interacting directly with the Audit Committee.

Internal audit activity will be free from interference in determining the scope of internal auditing, performing work and communicating results. Internal auditors will have an impartial, unbiased attitude and avoid any

conflict of interest. Conflicts of interest may arise where an auditor provides services other than internal audit to the organisation. Steps will be taken to avoid or manage transparently and openly such conflicts of interest, so that there is no real or perceived threat or impairment to independence in performing the audit role.

All internal auditors will complete an annual declaration of interest identifying possible conflicts of interest and the actions taken to mitigate them. This process, and its outcomes, will be communicated to the Audit Committee annually through the Director of Internal Audit Opinion and Annual Report.

MIAA will also periodically review the specific audit manager assigned to the organisation to ensure that both parties are satisfied that relationships remain independent and objective.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

4 Standard 1200 – Proficiency and Due Professional Care

Engagements will be performed with proficiency and due professional care. Internal auditors will possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively will possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. The Director of Internal Audit is professionally qualified and is responsible for ensuring access to the full range of knowledge, skills, qualifications and experience to meet the requirements of the Internal Audit Standards. MIAA internal auditors will ensure Continuing Professional Development and compliance with professional standards.

Internal auditors will apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

5 Standard 1300 – Quality Assurance and Improvement Programme

The Director of Audit will develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme will include both internal and external assessments.

- Internal assessment will include;
- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessment by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments will also be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The results of external quality reviews and any consequent improvement plans will to be reported to the Accountable/Accounting Officer and Audit Committee.

6 Standard 2000 – Managing the Internal Audit Activity

The Director of Internal Audit will develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy will advocate a systematic and prioritised review, outlining the resources and skills required to meet

the assurance needs of the Accountable/Accounting Officer and Audit Committee. The strategy will take into account the relative risk maturity of the organisation, taking due regard of the Assurance Framework.

The Director of Internal Audit will establish risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals.

The Director of Internal Audit will include in the internal audit strategy the approach to using other sources of internal and external assurance. Periodic plans will include any work associated with placing reliance upon such work.

The Director of Internal Audit will agree the strategy and periodic plans with the Accountable/Accounting Officer and Audit Committee.

Where the Director of Internal Audit believes that the level of agreed resources will prevent the Accountable/Accounting Officer being provided with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, the consequences will be brought to the attention of the Audit Committee.

The Director of Internal Audit will agree arrangements for interim reporting to the Accountable/Accounting Officer and Audit Committee in the course of the year and produce an annual report that incorporates his opinion.

The Director of Internal Audit will provide to the Accountable/Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Annual Governance Statement.

7 Standard 2100 – Nature of Work

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes, using a systematic and disciplined approach.

The internal audit activity will also evaluate the potential for the occurrence of fraud and consider how the organisation manages fraud risk. CIPFA has issued a *Code of Practice on Managing the Risk of Fraud and Corruption*. While compliance with the code is voluntary, CIPFA strongly recommends that it is used as the basis for assessment of how an organisation manages its fraud risk. The Director of Internal Audit should be notified of all suspected or detected fraud, corruption or impropriety in order to inform the annual opinion and risk based plans.

The Director of Internal Audit will also liaise with the organisation's external auditors and other review bodies to facilitate the effective co-ordination of audit resources and assurances.

8 Standard 2200 – Engagement Planning

The Director of Internal Audit will establish a risk based Internal Audit Plan in conjunction with the client and with the agreement of the Audit Committee. The plan will set out the priorities for Internal Audit activity, consistent with the organisation's goals and objectives.

Internal auditors will develop and document a terms of reference for each engagement, including the engagement's objectives, scope, timing and resource allocations, based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. A work plan will be developed and documented that achieves the engagement objectives.

Internal audit will meet regularly with the external auditor to consult on audit plans and discuss matters of mutual interest.

9 Standard 2300 – Performing the Engagement

Internal audit will identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. Internal auditors will

base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors will document relevant information to support the conclusions and engagement results.

Engagements will be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

10 Standard 2400 – Communicating Results

Internal auditors will communicate the engagement results with appropriate parties, including the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans.

Working with the organisation, the Director of Internal Audit will ensure that communications are accurate, objective, clear, concise, constructive, complete and timely.

The Director of internal Audit will deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.

The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate;

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

11 Standard 2500 – Monitoring Progress

The Director of Internal Audit will establish and maintain a follow-up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This will be operated to support the organisation in ensuring the implementation of actions, and reporting progress to the Audit Committee.

12 Standard 2600 – Communicating the Acceptance of Risks

When the Director of Internal Audit believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the Director of Internal Audit will discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Director of Internal Audit will report the matter to the Audit Committee for resolution.

Code of Ethics

MIAA will operate within the definition of Internal Auditing and ensure that the Code of Ethics (Institute of Internal Auditors, 2017) underpins the internal audit services provided to the organisation.

INTEGRITY	OBJECTIVITY
<ul style="list-style-type: none"> • Honesty, diligence & responsibility • Legal & professional disclosure • Contribution to legitimate & ethical objectives 	<ul style="list-style-type: none"> • Unbiased assessment • Relationships • Not subject to undue influence • Conflict of interest disclosure
CONFIDENTIALITY	COMPETENCY
<ul style="list-style-type: none"> • Prudence in use & protection of information • Not use information for personal gain or contrary to legal requirements 	<ul style="list-style-type: none"> • Knowledge, skills and experience • Compliance with standards and professional practice • Continuous improvement

13 Definitions

Board	The Fire Authority of the organisation with overall responsibility for governance.
Accountable Officer	Officer responsible and accountable for funds entrusted to the organisation.
Audit Committee.	A sub-committee of the Fire Authority with overall responsibility for overseeing the establishment of an effective system of integrated governance, risk management

	and control across the organisation's activities.
Director of Internal Audit	Acts as the Chief Audit Executive as the independent corporate executive with overall responsibility for internal audit.
Senior Management	The overall lead Officer agreed by the organisation for each audit engagement.

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Report to	Audit Committee	
Date	18 September 2023	
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer	
Contact Officer	Helen Howard – Head of Finance and Procurement	
Subject	Treasury Management Report April – June 2023/24	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with an update on the treasury management activity, and compliance with the treasury management prudential indicators for the period 1 April 2023 – 30 June 2023.

EXECUTIVE SUMMARY

- 2 In December 2003, North Wales Fire and Rescue Authority (the Authority) adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (2021)* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3 The CIPFA Code also included a new requirement for quarterly reporting of the treasury management indicators from April 2023. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.
- 4 The Authority's treasury management strategy for 2023/24 was approved at a meeting on 20 March 2023. As the Authority borrows and invests significant sums of money there are financial risks that need to be considered including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) note the treasury management activities and prudential indicators for the period 1 April – 30 June 2023.

EXTERNAL CONTEXT

- 6 Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected). This was largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

- 7 The Bank of England's Monetary Policy Committee re-accelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%.
- 8 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

LOCAL CONTEXT

- 9 On 31 March 2023, the Authority had net borrowing of £22.48m arising from capital expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.23 Actual £m
General Fund CFR	28.88
External borrowing	-26.65
Less: Balance sheet resources	-6.40
Less: New Investments	4.17
31 March 2023	0.00

- 10 The treasury management position at 30 June and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.6.23 Balance £m	30.6.23 Rate %
Long-term borrowing (PWLB)	17.79	0	17.79	1.00 - 4.90
Short-term borrowing	8.86	-3.42	5.44	1.30 - 3.91
Total borrowing	26.65	-3.42	23.23	
Short-term investments	0.00	0.00	0.00	
Cash and cash equivalents	-4.17	-6.01	-10.18	4.16 - 4.90
Total investments	-4.17	-6.01	-10.18	
Net borrowing	22.48	-9.43	13.05	

BORROWING

- 11 CIPFA's 2021 Prudential Code outlines that local authorities must not borrow to invest with the primary objective being financial return. It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement requiring new borrowing, unless directly and primarily related to the functions of the Authority.
- 12 The Authority has not invested in assets for financial return and all expenditure is related to the discharge of the Authority's functions.

BORROWING STRATEGY AND ACTIVITY

- 13 As outlined in the treasury strategy, the Authority's main objective when borrowing has been to adopt a low risk strategy balancing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 14 There has been a substantial rise in the cost of both short and long-term borrowing over the last 18 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the quarter and was also significantly higher than its level of 1.25% at the end of June 2022.
- 15 PWLB borrowing rates continued to rise over the quarter. On 30 June, the PWLB certainty rates for maturity loans were 5.25% for 10-year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 16 At 30 June the Authority held £23.23m of loans, a decrease of £3.42m on 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans, on 30 June are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	30.6.23 Balance £m	30.6.23 Weighted Average Rate %	30.6.23 Weighted Average Maturity (years)
Public Works Loan Board	20.65	-0.42	20.23	2.46	4.74
Local authorities (short-term)	6.00	-3.00	3.00	4.35	1.00
Total borrowing	26.65	-3.42	23.23		

- 17 The Authority's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Authority's short-term loans at 30 June 2023 on £6.00m was 4.35%, this compares with 1.3% on £6.00m loans 12 months ago.

Table 3B: Long-dated Loans borrowed

	Amount £m	Rate %	Period (Years)
PWLB Maturity Loan	2.60	4.80	29.00
PWLB EIP Loan	4.70	3.91	18.00
Total borrowing	7.30	4.23	

- 18 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.
- 19 During the period 1 April – 30 June 2023, a short-term market loan of £3m was repaid. This was replaced with a long term PWLB loan, which was taken out in 2022/23. This was undertaken following advice from our treasury management advisors and undertaken when interest rates were favourable.

TREASURY INVESTMENT ACTIVITY

- 20 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 21 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £4.17m and £10.18m due to timing differences between income and expenditure. The majority of the balance relates to the income received in relation to the Firefighters Pensions Fund, which will be spent throughout the year. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23	Q1	31.6.23	30.6.23	30.6.23
	Balance	Net	Balance	Income	Weighted
	£m	Movement	£m	Return	Average
		£m		%	Maturity
					days
Banks & building societies	4.17	6.01	10.18	4.16-4.90	on call
Total investments	4.17	6.01	10.18		

- 22 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 23 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.
- 24 Bank rates increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%.

COMPLIANCE

- 25 The Treasurer reports that all treasury management activities undertaken during the quarter complied with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy, apart from the limit for investments held with one bank. The Service hold two call accounts that are used to place short term deposits, with Lloyds Bank and Barclays Bank. The interest rates being offered on treasury deposits, was significantly higher with Lloyds Bank and therefore in order to obtain the best return all deposits have been placed with them.
- 26 To help mitigate this in future, the Service have applied for a Debt Management Office Account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.
- 27 Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

Institution	Description	Limit	30.06.23 Actual	Complied? Yes/No
Banks	All UK banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as long term (BBB)	£5m	£10.18m	no
Central Government	Debt Management Office (DMO)	Unlimited	0	yes
Money Market Funds (MMF)	Only in conjunction with advice for Arlingclose	£1m per fund	0	yes
Local Authorities	All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992	£2m	0	yes
Building Societies	Building societies with a rating (as for the banking sector)	£2m	0	yes
Building Societies (Assets £1bn)	Building societies without a rating but with assets of £1 billion or more	£2m/9 months	0	yes

28 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

Table 6: Debt and the Authorised Limit and Operational Boundary

	30.6.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	23.23	28.99	30.99	Yes
Total debt	23.23	28.99	30.99	

29 Since the operational boundary is a management tool for in-year monitoring there may be occasions when actual borrowing exceeds this target. This may be due to variations in cash flow and short-term breaches would not count as a compliance failure.

TREASURY MANAGEMENT INDICATORS

30 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Maturity Structure of Borrowing

- 31 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.6.23 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
Under 12 months	2.44	10.50%	60.00%	0.00%	Y
12 months and within 24 months	6.71	28.89%	45.00%	0.00%	Y
24 months and within 5 years	5.62	24.19%	45.00%	0.00%	Y
5 years and within 10 years	1.32	5.68%	75.00%	0.00%	Y
10 years and above	7.14	30.74%	100.00%	0.00%	Y

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments

- 32 The Authority does not hold any long-term treasury investments.

IMPLICATIONS

Wellbeing Objectives	This report links to NWFRAs long-term well-being objectives. Ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. Ensures there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future.
Budget	Budget is set annually for capital financing in line with the Treasury report.
Legal	The regulatory framework is set out in paragraph 1.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	Investment of surplus funds – there is a risk that the financial institution in which the service's funds are invested could fail with a loss of part of the principal invested. However, one of the purposes of the report is to mitigate this risk.

Report to	Audit Committee
Date	18 September 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources
Contact Officer	Jack Millward, Procurement and Contracts Manager
Subject	Procurement Update



PURPOSE

- 1 To provide Members with an update on the procurement arrangements and activities within the North Wales Fire and Rescue Authority (the Authority).

EXECUTIVE SUMMARY

- 2 The Procurement and Contracts Manager was appointed in February 2023, to provide professional support and guidance in the area of procurement and contract management.
- 3 Public sector procurement is subject to a range of statutory and regulatory obligations and to ensure compliance with this complex area, the Authority has approved contract procedure rules that provide the framework of processes that must be followed.
- 4 The public sector procurement reforms will place further obligations on the Authority to consider a range of factors including social value, environmental issues and sustainability.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) note the current arrangements for compliance with the public sector procurement requirements;
 - ii) the future public sector procurement reforms; and
 - iii) note the procurement activity for the period April 2023 – August 2023.

BACKGROUND

- 6 Procurement is the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation but also to society and the economy whilst minimising damage to the environment.

- 7 The Welsh public sector spends around £7 billion each year on procurement. In Wales, procurement has been identified as one of the key corporate areas for change outlined in the core guidance on the Well-being of Future Generations Act (Wales) 2015.
- 8 The management and governance of procurement and commissioning activity is subject to a number of obligations arising from Welsh Government guidance, statutory instruments and regulations. These include the Welsh Government's 2016 publication Managing Welsh Public Money, the Public Contracts Regulations 2015, the Public Procurement (Amendment etc.) (EU Exit) Regulations 2020, the Public Contracts (Amendment) Regulations 2022 and the Concession Contracts Regulations 2016.
- 9 To ensure compliance with this complex area, the Authority has approved contract procedure rules that provide the framework of processes that must be followed. These can be accessed via the following link and confirm the key controls [Contract Procedure Rules](#)

Contract value	Procurement route
Below £10,000	Requirement to demonstrate value for money although a single supplier is permissible
£10,000 - £40,000	3 quotes
£40,000	Formal procurement

- 10 The Contract Procedure Rules also recognise the occasions whereby it is appropriate to apply an exemption from the procurement rules through the use of single tender waivers.
- 11 Public sector procurement is currently subject to further reform across the UK. The UK wide UK Public Procurement Bill is currently going through the legislative process and will replace a number of pieces of existing legislation. In addition, the Welsh Government has been working on legislation specific to the Welsh public sector which focusses on social partnership and socially responsible procurement.
- 12 The Social Partnership and Public Procurement Act (Wales) 2023 is closely aligned to the principles of the Well-being of Future Generations (Wales) Act 2015 and places a duty on public bodies to ensure that procurement is socially responsible where it involves construction contracts over £2m or outsourced services.

13 Based on the latest version of the Bill and proposals set out in recently published consultation documents, the most impactful changes for most contracting authorities will be:

- More flexibility in procurement procedures, framework rules and new dynamic markets
- Increased transparency requirements
- Minimum contract management obligations driven by KPI monitoring requirements
- Enhanced debarment and exclusions regime

A summary of the procurement reform in Wales and the associated socially responsible procurement duty has been prepared by the Welsh Government and is contained within Appendix 1.

14 In procuring goods and services the Authority must, therefore, have regard for a range of measures including:

- Quality
- Cost
- Fair work
- The social value inherent within the contract
- Sustainability
- Environmental impacts
- Equality implications including Welsh language

15 Working closely with other public bodies, work is being undertaken to further develop the procurement processes and guidelines to ensure compliance in this complex area. The all Wales Procurement group is collaborating on a number of key areas.

LOCAL CONTEXT

16 The non-pay budget for 2023/24 is circa £11m and relates to a wide range of costs including premises, fleet, information technology and specialist training.

17 Work is progressing to ensure compliance with current contract procedure rules including the development of the financials system, for procurement activities, including contract management.

18 Where appropriate, North Wales Fire and Rescue Service (the Service) collaborates with the Welsh Fire and Rescue authorities, for common areas of expenditure – for example the fire kit, to secure economies of scale. The Authority also collaborates with North Wales Police (NWP) in relation to expenditure on premises.

19 Use is also made of public sector procurement frameworks which ensures compliance with the procurement legislation, ensures appropriate due diligence has been undertaken in relation to suppliers and also reduces the administrative burden. Where this is not possible, the Authority also undertakes tender exercises on its own behalf.

20 Where there is only a single supplier, or the procurement is restricted due to the service needs, a waiver process is in place, which ensures that due diligence checks are completed.

ACTIVITY

21 The table below confirms activity between April 2023 – August 2023

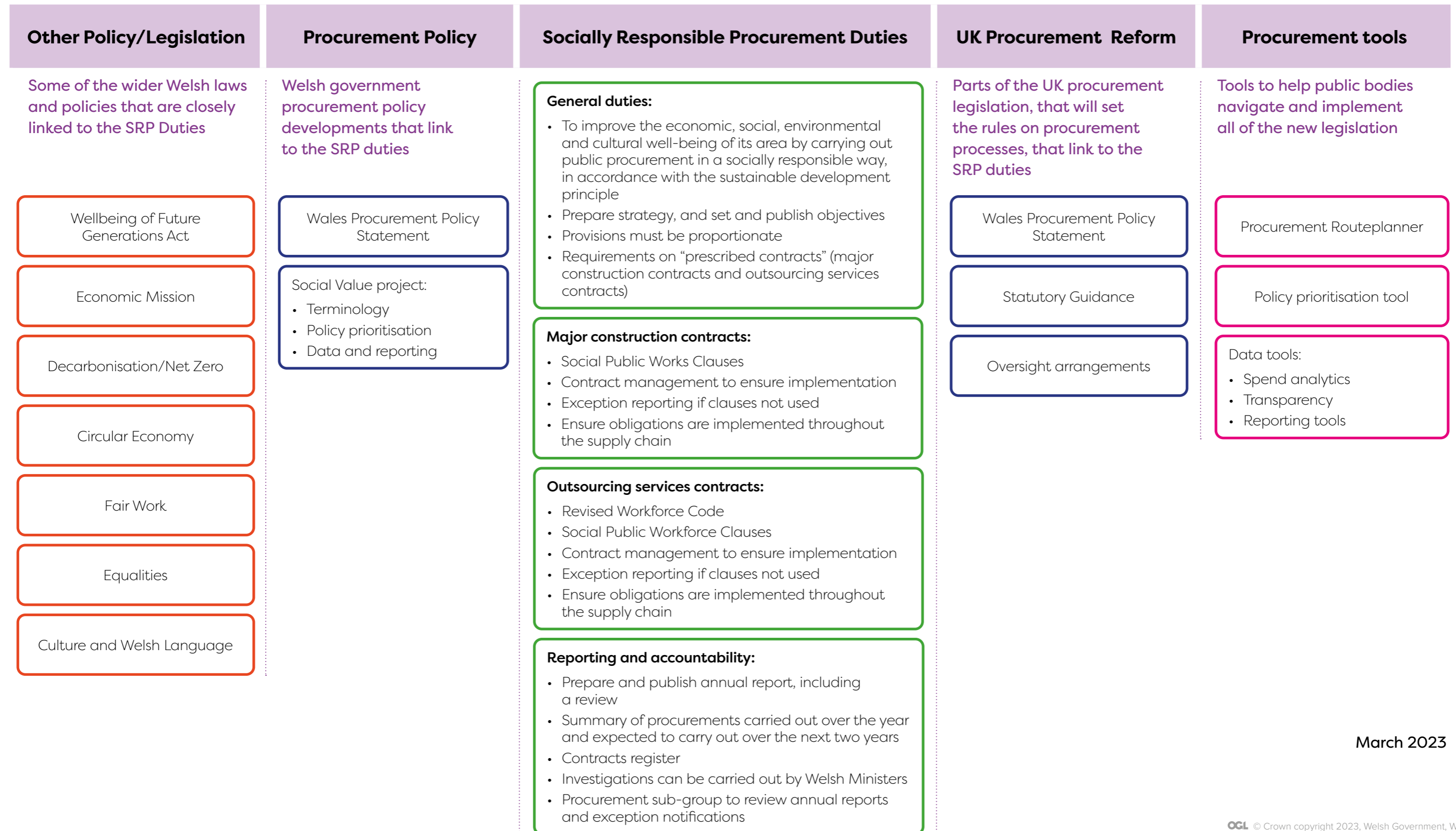
under £40,000		
Department	Nature of contract	Procurement route
HR	Confidential reporting line	Mini competition
Fleet	Maintenance of workshop equipment	Tender
HR	Employee assistance programme	Framework
Corporate Communications	Professional support for the consultation analysis	Framework
£40,000 - £100,000		
Department	Nature of contract	Procurement route
ICT	VM Ware	Framework
Finance	Provision of internal audit services	Framework
Training	Professional services associated with land purchase	Framework
Single tender waivers	Nature of contract	Reason for waiver
Operations	Home safety software	Extension of existing contract
Corporate Communications	Professional support for consultation	Single supplier
ICT	Swissphone alerters	Single supplier
HR	Workforce and payroll software	Extension of existing contract

IMPLICATIONS

Wellbeing Objectives	This report links to NWFRA's long-term well-being objectives. Ensures that the purchases to support front line service delivery is prudent, affordable and sustainable.
Budget	Budget is set annually for expenditure.
Legal	The regulatory framework is set out via Welsh Government and UK legislation, as well as internal contract procedure rules.
Staffing	None
Equalities/Human Rights/Welsh Language	Procurement requirements ensure that the relevant standards as required in legislation is met
Risks	Failure to adhere to procurement regulations could lead to legal challenge.



How the Socially Responsible Procurement Duties link into wider procurement reform in Wales



Report to	Audit Committee
Date	18 September 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer (Finance and Resources)
Contact Officer	Helen MacArthur
Subject	Budget Scrutiny Working Group



PURPOSE OF REPORT

- 1 The purpose of this report is to outline to Members the proposals to form a Members' working group to provide budget scrutiny and assurance. The group will be derived from members of the Audit Committee (the Committee) and chaired by Cllr. Nigel Smith.

EXECUTIVE SUMMARY

- 2 The North Wales Fire and Rescue Authority (the Authority) is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term "balanced" is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 3 It is proposed that the development of the 2024/25 revenue budget and the medium-term financial plan is supported through the creation of a Members' Budget Scrutiny Working Group to provide budget scrutiny and assurance to the Authority.
- 4 It is proposed that the group will meet on four occasions and include representation from each constituent local authority.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i. Approve the creation of a Members' Budget Scrutiny Working Group with the objective of providing budget scrutiny and assurance; and
 - ii. Approve the appointment of one specific individual Member representing each constituent local authority, and one reserve Member from each constituent local authority.

BACKGROUND

- 6 The Authority is required to set a balanced revenue budget which must be approved by the full Authority before the commencement of the financial year. Although the term “balanced” is not formally defined in the legislation, the Chartered Institute of Public Finance (CIPFA) recognises that organisations should have financial plans which demonstrate how expenditure will be funded over the short and medium term.
- 7 The Authority's financial sustainability in the short, medium and longer term is underpinned by knowledge and understanding of key cost drivers including the evaluation of risks and uncertainties. Pivotal to this is an understanding of service demands, resources available and the future strategic vision.
- 8 The Authority's revenue budget for 2023/24 was set in January 2023 before the 2022/23 and 2023/24 pay awards for staff conditioned on grey book terms and conditions were nationally agreed in February 2023.
- 9 The nationally agreed pay awards significantly exceeded the estimated provision within the budget for 2023/24 and was balanced through the use of reserves on a one-off basis. Coupled with other unfunded cost pressures the underlying deficit carried forward from 2023/24 is estimated to be £2.4m and sustainable arrangements are required for 2024/25 onwards.

INFORMATION

- 10 The initial planning assessment for 2024/25 indicated a year on year increase of £6m if the existing service delivery model was retained. Whilst the future operating model is currently subject to consultation through the Emergency Cover Review it is evident that cost pressures remain.
- 11 The existing cost pressures include nationally agreed pay awards for staff, supply chain inflation, supply chain pressures and interest rates. In addition, the Authority is facing a number of growth pressures arising from health and safety matters such as contamination risks associated with firefighting.
- 12 The cost pressures and financial challenges require that Members of the Authority are assured that all reasonable steps have been taken to understand the cost drivers and that the future budget proposals are considered reasonable.

- 13 It is proposed that a Members' working group is established to provide budget scrutiny and assurance to the Committee on behalf of the Authority.
- 14 The working group would include Member representative from each constituent local authority and receive professional support from the Authority's Treasurer.
- 15 If agreed, it is proposed that four meetings would be held during October and November 2023 to include the following:
 - I. Budget Overview – to enable Members to gain a greater awareness and understanding of the constituent elements of the budget and to identify areas for further focus;
 - II. Pay related expenditure – in depth review of payroll elements of expenditure including those identified by Members during the first meeting;
 - III. Non-pay expenditure and the cost of capital – a review of elements of non-pay expenditure including confirmation of significant contracts and supply chain difficulties. An overview of the capital financing costs will also be undertaken including consideration of interest rate changes; and
 - IV. A final session to enable Members to conclude the work and consider the report to the Authority.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objective which is "To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk."
Budget	The working group will support the development of the budget and provide assurance that scrutiny has taken place.
Legal	It is a legal requirement for the Authority to set a balance budget which enables the organisational objectives to be achieved.
Staffing	Robust budget setting ensures that staff costs are fully considered enabling workforce plans to be developed.
Equalities/ Human Rights/ Welsh Language	The budget development is based on service plans which consider legal obligations.
Risks	A number of risks and uncertainties exist in relation to future budgets which include pay awards, inflationary increases in non-pay expenditure and interest rate risks. The budget setting process supports the short, medium and longer-term planning and supports achievement of the organisational objectives.