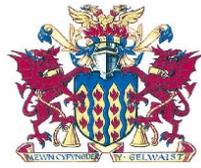


AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held
MONDAY 18 DECEMBER 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 18 September 2023

5. Matters Arising

6. Budget Scrutiny Update

7. Treasury Management Update

8. Internal Audit Progress Report

9. Payroll and Attendance Management Review

10. Certification on compliance with LGM 2009 performance assessment requirements

11. 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.

12. 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 18 September 2023 virtually via Zoom. Meeting commenced at 09.30hrs.

Councillor

Mark Young (Chair)
Gwynfor Owen (Deputy Chair)
Michelle Blakeley-Walker
Arwyn Herald Roberts
Tina Claydon
Bryan Apsley
John Brynmor Hughes
Marc Jones
Beverley Parry-Jones
Austin Roberts
Jeff Evans
Adele Davies-Cooke

Representing

Denbighshire County Council
Gwynedd Council
Denbighshire County Council
Gwynedd Council
Flintshire County Council
Wrexham County Borough Council
Gwynedd Council (left 10.04am)
Wrexham County Borough Council
Wrexham County Borough Council
Conwy County Borough Council
Anglesey County Council
Flintshire County Council

Also present:

Helen MacArthur
Dafydd Edwards
Gareth Owens
Mike Whiteley
David Tomalin
Anne-Marie Harrop
Angharad Ellis
George Jones
Ffion Evans
Steve Morris
Stephen Kitching
Paul Roberts

Assistant Chief Fire Officer
Treasurer
Monitoring Officer
Audit Wales
Audit Wales
Mersey Internal Audit Agency
Mersey Internal Audit Agency
Atebol - Translator
Executive Assistant
Head of ICT
Arlingclose
Arlingclose

1 **APOLOGIES**

Councillor

Cllr Marion Bateman

Representing

Flintshire County Council

ABSENT

Councillor

Representing

NOMINATION FOR CHAIR

Before commencement of the meeting Gareth Owens confirmed that Cllr. Nigel Smith had resigned from North Wales Fire and Rescue Authority following his appointment to the Cabinet for Conwy CBC. The nomination of Cllr Mark Young to be elected as the Chair was received from Cllr Austin Roberts and seconded by Cllr Michelle Blakeley-Walker. The nomination was voted upon and Mark Young was appointed as Chair for the remainder of the year.

Cllr Mark Young thanked the committee and thanked Cllr Nigel Smith for his work.

RESOLVED that:

- i) Mark Young be appointed as Chair with immediate effect**

NOMINATIONS FOR DEPUTY CHAIR

Nominations for Deputy Chair were put forward. Cllr Roberts put forward the nomination for Cllr Gwynfor Owen to be Deputy Chair and Cllr Michelle Blakeley- Walker seconded that nomination.

All were in favour and Cllr Gwynfor Owen was appointed as deputy chair.

RESOLVED that:

- i) Cllr Gwynfor Owen be appointed as Deputy Chair with immediate effect**

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest to record. Nominations for chair

3 NOTICE OF URGENT MATTERS

3.1 There was no notice of urgent matters.

Mark Young noted that a quick update about the consultation was to be added at the end of the meeting.

4 MINUTES OF THE MEETING HELD ON 19 JUNE 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 TRAINING SESSION – INTRODUCTION TO TREASURY MANAGEMENT

6.1 A training session was provided for members by Stephen Kitching and Paul Roberts from Arlingclose, the Authority's Treasury Management advisors. Members were given a detailed presentation on the work that is being carried out between Arlingclose and the Service.

6.2 The purpose of the training was to enable Members to more fully understand the background and technical aspects of treasury management including the governance arrangements. The update highlighted the need to ensure the governance framework is correct and provide suitable scrutiny. Scrutiny should include questioning the affordability and sustainability of arrangements including the revenue impact on these decisions over time.

6.3 The training provided an economic overview including longer term trends for inflation and interest rates. Members highlighted a number of areas including the longer-term risks associated with decisions relating to the capital plan and borrowing. Discussions were held on the possibility of default by other local authorities and Arlingclose provided assurance that the UK Government acted as the lender of last resort through the PWLB.

6.4 Members thanked Arlingclose for the presentation.

6.5 **RESOLVED to:**

- i) **note the information provided.**

7. AUDIT WALES AUDIT PLAN

7.1 The purpose of the 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 statutory auditors.

7.2 Members received an update on the approach to the Authority's financial statements including the specific areas of focus. It was noted that work undertaken so far had not highlighted any significant issues associated with the introduction of the new financial system.

- 7.3 Members were updated that the Audit is on track and did not anticipate any issues which would prevent the audited accounts being presented to the Fire and Rescue Authority at its meeting in October 2023. It was noted that the Service's Finance Team had managed the transition from Conwy CBC well and queries were being addressed in a constructive and timely manner.
- 7.4 A brief update was provided on the planned performance work and key contacts were noted.
- 7.5 The audit fee of £72,237 was noted which is an increase of 3.6%. The year on year increase was less than the inflationary uplift contained with Audit Wales' fee scheme.

7.3 **RESOLVED to:**

- i) **note the scope of work undertaken by Audit Wales with no issues arising; and**
- ii) **acknowledge the work undertaken by the Service's Finance Department in implementing new financial systems and the production of the financial statements.**

8 INTERNAL AUDIT UPDATE

- 8.1 MIAA provided an update report to Members on work undertaken in the period 20 June 2023 to 18 August 2023. This confirmed that the work on the Payroll and Attendance Management arrangements had commenced. It was also noted that MIAA had undertaken work on reviewing policies in relation to fraud, corruption and bribery and was supporting the Service in relation to the National Fraud Initiative (NFI).
- 8.2 Angharad Ellis from MIAA presented the Internal Audit Charter and provided members with an overview.

8.5 **RESOLVED to:**

- i) **note the reports provided and the work undertaken by MIAA to date; and**
- ii) **note the content of the internal audit charter**

9 TREASURY MANAGEMENT UPDATE REPORT

9.1 The purpose of the report is to provide the Members with an update on the treasury management activity, and compliance with the treasury management prudential indicators for period 1 April 2023 to 30 June 2024.

9.2 ACFO MacArthur presented the report which confirmed the economic challenges including uncertainty around interest rates. It was noted that the Authority's borrowing is below the capital financing requirement due to the use of internal resources.

9.3 Members noted that surplus cash was held for working capital purposes only and was placed on deposit to allow immediate access. ACFO MacArthur confirmed that an account with the Debt Management Officer (UK Treasury) had been opened to allow deposits to be made which would further reduce the exposure of the Authority to UK banks.

9.4 **RESOLVED to:**

- i) noted by members the treasury management activities and prudential indicators for the period 1 April 2023 to 30 June 2023**

10 PROCUREMENT UPDATE

10.1 The purpose of this report is to provide Members with an update on the procurement arrangements within the North Wales Fire and Rescue Authority. ACFO McArthur explained that this was a new report being presented to the committee, since the appointment of the Procurement and Contracts Manager in February of this year.

10.2 ACFO MacArthur provided an update on the legislative and regulatory environment including developments around socially responsible procurement duties.

10.3 Members were advised on procurement activity in the period from April 2023 to August 2023 and the procurement approaches adopted.

10.4 Members noted the operating environment and commented on the need to have transparency on the Authority's approach to ensuring that local suppliers were enabled to participate with procurement arrangements

10.5 **RESOLVED to:**

- i) note the report and associated activity; and**
- ii) request that future reports provided further information on how the Authority was performing against the policy requirements.**

11 PROPOSAL FOR BUDGET SCRUTINY WORKING GROUP

- 11.1 ACFO MacArthur presented this report and outlined 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 and chaired by the chair of the Audit Committee.
- 11.2 Members would be supported by the Authority's Treasurer to enable the members to understand the financial arrangements in more detail and undertake scrutiny of key areas of expenditure.
- 11.3 It was proposed that the working group would hold 4 meetings which would run between October and November. Meetings would consist of Budget overview, Payroll, Non-pay and Capital Financing; and closure and agreement of next steps
- 11.4 Dafydd Edwards supported the recommendation and confirmed that this would assist the Authority when setting the budget. Gareth Owens provided guidance in relation to the constitution of the group and confirmed that a member from each local authority would be appropriate.
- 11.5 **RESOLVED to:**

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.

12 URGENT MATTERS

- 12.1 As stated in agenda item point 3 Members asked for an update on the Emergency Cover Review Consultation.
- 12.2 Mark Young raised that this was not the first time that Members had not been kept abreast of changes and had found out from the press first.
- 12.3 Cllr Jones – raised that he did not have a problem with us extending the time frame, but it would have been good to have an explanation beforehand. Can we make sure that this does not happen again and that we have a clear explanation?
- 12.4 ACFO McArthur apologised and noted that although a communication had been drafted it was unfortunate that this had not been circulated sooner. The decision had been taken to allow constituent local authorities additional time to comply with their own internal governance arrangements prior to submitting their response.

Meeting closed 11.19 hrs

Report to	Audit Committee
Date	18 December 2023
Lead Member	Cllr Mark Young
Lead Officer	Dafydd Edwards, Authority Treasurer
Contact Officer	Helen MacArthur, Assistant Chief Fire Officer
Subject	Budget Scrutiny Working Group



PURPOSE OF REPORT

- 1 The purpose of this report is to provide members of the Audit Committee with an update on the work of the Budget Scrutiny Working Group (the Group) and to seek endorsement of the current financial planning assessment to set a balanced budget for 2024/25.

EXECUTIVE SUMMARY

- 2 The Authority is required to set the revenue budget for 2024/25 at its meeting on 22 January 2024. The Budget Scrutiny Working Group has provided scrutiny of the budget setting process and confirms a current planning assessment of £49.194m (£44.4m for 2023/24) which is an annual increase of 10.8%.

RECOMMENDATIONS

- 3 Members are asked to:
 - (i) Note and endorse the findings of the Budget Scrutiny Working Group; including
 - (ii) the planning assumptions being used to develop the revenue budget for 2024/25;
 - (iii) the current financial planning assessment of a budget requirement of £49.194m for 2024/25;
 - (iv) the proposal to seek further work to identify opportunities for the further reductions in expenditure for the 2024/25 financial year and/or utilisation of reserves; and
 - (v) the proposed work programme for 2024/25 onwards.

BACKGROUND

- 4 Each year the Authority is required to set a balanced revenue budget which must be approved by the full Authority. 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.

- 5 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.
- 6 As part of the work for the emergency cover review an initial high-level planning assessment was undertaken during February 2023 which estimated the year on year budget increase at circa £6m. This represents a 13.5% increase, 5% of which addresses the underlying deficit arising from the 2023/24 budget setting process. The actions taken during the budget setting processes for 2023/24 are not sustainable as they require the use of reserves on an ongoing basis.
- 7 As part of the Emergency Cover Review (the ECR), the Fire and Rescue Authority (the Authority) approved a number of options for consultation including two options with structural changes that reduced expenditure on a recurring basis by up to £2.4m. Following the outcome of the consultation exercise, the Authority confirmed that Option 1 was the preferred option which required a budget uplift of £6m.
- 8 Although the final budget approved by Members will be based on the final outcome of the ECR, the work of the Budget Scrutiny Working Group has been predicated on option 1, or a cost-equivalent variant thereof, being the final option.
- 9 The Group was established to provide scrutiny of the budget setting process, including all areas of income and expenditure. With membership from each local authority, the Budget Scrutiny Working Group has met on four occasions between October and November 2023, with a further feedback session to all Members as part of the Emergency Cover Review Working Group meeting on 4 December.
- 10 The current financial planning assessment for 2024/25 will be presented to the Executive Panel at its meeting on 18 December 2023. Meeting papers on 18 December will also include sensitivity analysis setting out the impact of the emergency cover review options considered by the Authority.
- 11 The 2024/25 draft revenue budget, drawn up in accordance with the Committees' guidance on 18 December, will be presented for approval by the Authority at its meeting on 22 January 2024.

INFORMATION

- 12 The Budget Scrutiny Working Group was established by the Authority with representation from each constituent local authority. The Group has met on four occasions and considered all areas of the Fire and Rescue Service's expenditure.

- 13 The first meeting took place on 4 October when the Terms of Reference were agreed (Appendix 3) and the programme of work set out. Members requested that the Authority's internal auditor was invited to future meetings to provide oversight of the process and this was facilitated from meeting 2 onwards.
- 14 The Group received an overview of the financial operating environment including key dates in the budget cycle, the Authority's responsibilities, the internal governance arrangements and applicable regulations. Members also received an overview of the budget structure by expenditure type, an analysis of service delivery and departmental costs and capital expenditure. An overview of the funding arrangements was also provided, including the local authority levy, the use of Welsh Government grants and the Authority's reserves.
- 15 The meeting of the 19 October focussed on the internal staffing structure and associated payroll costs. Members received a detailed breakdown by station/department which confirmed that the budget was set on 971 staff which included growth of 30 retained duty firefighters and the filling of vacancies. The budget is based on individual posts and normal activity levels for operational response staff.
- 16 Members discussed the planning assumption for a pay award of 4% year on year and sought clarification on the reasonableness of this and the implications should the actual pay award vary from the planning assumption. The Group received confirmation that the planning assessment of 4% for pay awards was reasonable and noted that the percentages used by constituent local authorities ranged from 3.5% to 5%. It was noted that a 1% increase in the assumption would equate to £340k and this remains a risk for the Authority.
- 17 Members also noted the unresolved outcome arising from the revaluation of the firefighters' pension scheme and consequential risks and uncertainty associated with anticipated increases to the employer contributions.
- 18 Members noted that the proposed staff structure and planning assumptions would require a £3.9m increase in direct staff costs. At the request of Members, further work was undertaken and presented to meeting 3 (6th November) which included the removal of six posts, including two senior posts which were currently vacant, the removal of the proposed direct entry scheme post and the proposed digital media officer. The removal of the two senior posts was discussed and benchmarked against other organisations within the sector. Whilst the Group acknowledged that it was difficult to assess the reasonableness given the complexity of each organisation and the differences in individual roles, the Group was clear that constituent local authorities expected efficiency savings and was satisfied that the Chief Fire Officer supported the proposals to remove these management and support service posts.

- 19 The Group discussed and recognised the need for the growth of 30 posts within the retained duty staff structure to be included, and also supported maintaining resilience of 18 personnel within the wholetime watch system to ensure capacity in the event of sickness and retirements. The Group supported the proposal to retain the overtime budget for wholetime personnel at £100k, rather than increasing the overtime budget to £200k to reflect current expenditure. The action taken has resulted in a reduction of £0.5m and the current proposed budget for employee costs is £35.2m.
- 20 At the third meeting on the 6 November, the Group focussed on non-pay expenditure, noting the significant cost pressures in this area. The initial bids submitted indicated an increase of 18% to £13.4m with pressures within a number of departments including ICT, technical operations, facilities and fleet. The Group received detailed updates from three heads of departments and noted the pressures including inflationary increases, health and safety imperatives to address contaminant risks for operational staff and demand pressures.
- 21 Following further work, the Group received revised non-pay budget assessments of £12.7m at its meeting on 24 November. The Group further considered these alongside the capital financing, interest payable on borrowing, and lease costs (in respect of land and buildings, vehicles, and equipment) giving a total budget assessment of £15.054m.
- 22 The meeting of the 24 November considered the proposed capital financing budget for 24/25 which amounted to £2.8m including interest costs of £0.9m. The underlying assumption was that interest rates would remain similar to current levels through most of 2024, and the planning assessment was for future loans to include interest at 5.25%, based on the advice of the Authority's treasury management advisors. The Group noted that the interest cost included the need to refinance loans reaching maturity in the next financial year, as previously reported via the Treasury Management update reports. A budget of £1.9m was included for the minimum revenue provision (MRP), which is less than forecast following an internal review of the detailed calculations. The Group noted that the capital financing costs in relation to the training centre had been removed. Furthermore, slippage in the capital programme during 2022/23 and 2023/24 had resulted in reduced budget requirements in this area.
- 23 Following a request from the Emergency Cover Review Working Group further scrutiny was undertaken in relation leases which confirmed that the Authority has leased properties and 54 leased vehicles. The leased property includes the joint control centre occupied with North Wales Police, which provides interoperability. The Group acknowledged the ongoing commitments and requested that a review of non-emergency vehicles and leased properties is included in the future work programme for 2024/25 to further understand these areas of expenditure.

SUMMARY

- 24 The initial planning assessment undertaken during February 2023 indicated that an increase of £6m to £50.4m would be required for the 2024/25 financial year. The table below confirms that the initial work undertaken as part of detailed budget planning had identified further unavoidable pressures, which have since been mitigated through the thorough and conscientious work of the Group. The final draft assessment is a budget requirement of £49.194m, representing a 10.8% increase in the local authority levy. At the request of the Group, work is ongoing to identify further savings to reduce the budget requirement or available reserves which can be utilised to fund non-recurring expenditure.
- 25 The table below confirms the reductions of £1.912m identified through the work of the Group.

£'m	23/24	Feb-23	Oct-23	Dec-23	Reductions via Budget Scrunity
Employees	31.826	35.312	35.729	35.209	-0.520
Non-Pay and Capital Financing	13.567	16.055	16.321	15.054	-1.267
Income	-0.999	-0.944	-0.944	-	1.069
Total	44.394	50.423	51.106	49.194	-1.912
% Increase		13.5%	15.1%	10.8%	

IMPLICATIONS

Well-being Objectives	This report links to the Authority's Improvement and Well-being Objectives. It reports on the financial viability of the Authority.
Budget	The initial planning assessment indicated a budget requirement of £50.4m. Following the detailed planning work the current assessment is £49.194m.
Legal	The Fire and Rescue Authority has a legal duty to set a balanced budget based on realistic planning assumptions.
Staffing	Over 70% of expenditure relates to staff costs and therefore is a material factor when considering future financial stability. The risks identified by the Chief Fire Officer include ongoing pay negotiations as well as the need to recruit further retained duty staff and build corporate resilience.
Equalities/Human Rights/Welsh Language	These issues will be factored into budget setting proposals.
Risks	The key risks and uncertainties to the 2024/25 budget have been outlined in Appendix 2.

Initial financial planning assessment 2024/25

£'m	2023/24	Deficit	Pay Award	FPS Provision	Inflation & Growth	Interest Rates	Training Centre	2024/25 Total
Pay	31.824	1.745	1.343	0.400				35.312
Non-Pay	10.384	0.200			0.741			11.325
Capital Financing and Interest	3.130					0.500	1.1	4.730
Income	-0.944							-0.944
Levy	44.394	1.945	1.343	0.400	0.741	0.500	1.100	50.423

Summary of planning assumptions and risks

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Employee costs	<ul style="list-style-type: none"> The staffing budgets have been formulated on the staffing models required to delivery Option 1. At the time of setting the budget for the 2023/24 financial year the national pay awards for firefighters for the 2022/23 & 2023/24 financial years had not been finalised. The final budget for 2023/24 assumed 5% and 4% respectively but the actual pay award was settled at 7% and 5%. The increased costs associated with this have been built into the base budget and a planning assessment of 4% for national pay awards in 2024/25 has been made for all staff. 	<ul style="list-style-type: none"> The nationally agreed pay awards for 2024/25 have not been agreed but for each percentage point above the 4% planning assessment the financial risk is circa £0.34m The budget planning assumes normal levels of activity. If spate conditions occur budget pressures will be experienced. The working assumption is that the General Fund would be utilised in the first instance. The valuation of the firefighters' pension scheme was undertaken during 2020 and the provisional results indicate a significant increase with a potential cost pressure of £0.7m. The current planning assessment anticipates that financial support will be received to partially mitigate this increase although this is not yet confirmed. A residual financial risk of £0.3m exists.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Non-Pay	<ul style="list-style-type: none"> • The initial planning assessment has confirmed that the non-pay budgets will be formulated on existing service delivery models, updated for the outcome of the Emergency Cover Review. The demands on the non-pay budget are further exacerbated by the inflationary impact inherent within existing and future contracts and supply chain issues in a number of business critical areas. These include the supply of firefighting kit and the sourcing of replacement parts for operational vehicles. • Unavoidable costs associated with industry specific health and safety matters have been included within the non-pay budget. These include costs associated with the management of contaminants for our operational firefighters following national work. • Budgets have been formulated using the knowledge and professional judgement of budget managers and underlying contractual obligations but through necessary include a large degree of estimation. Where costs pressures can be quantified these have been separately identified and included. • During 2023/24 the Welsh Government removed its financial support of £0.4m for the existing national emergency services communication network (Firelink). The full contract price of £1m is now funded directly from core funding. Due to the fixed nature of this contract these costs are unavoidable and the contract includes an¹⁷ annual inflationary increase. 	<ul style="list-style-type: none"> • Whilst the Service continues to review non-pay costs and strives to manage cost pressures within the planned budget this remains an area of risk due to ongoing pressures within the supply chain arising from price rises and availability issues. This position is being carefully managed but due to significant volatility it is not possible to fully quantify the impact. • The cost of gas and electricity has been a known cost pressure since 2022/23 due to global cost pressures. The position appears to have stabilised and the budget for 2024/25 is predicated on best estimates at this time. However, volatility in the market continues and this remains a known uncertainty and risk. • Specific provision has not been made within the budget for carbon reduction but is included within anticipated non-pay costs. For example, the move away from diesel vehicles is included in future fleet costs.

Heading	Planning assumptions used in budget setting	Risks/Uncertainties
Capital Financing	<ul style="list-style-type: none"> • The capital financing requirement for 2024/25 includes the revenue charge for the minimum revenue provision for existing assets and an estimate of the interest charges arising from borrowing. These costs are influenced by historical capital expenditure, the need to borrow for the 2024/25 capital programme and the impact of interest rate increases when re-financing maturing loans. • The initial planning assessment will assume that all future borrowing will be at the prevailing PWLB rate at the time of budget setting. • The capital plan now excludes potential costs associated with a new training centre. At this time the business case has not been considered by the Authority and, therefore, it is assumed that capital costs will be incurred from 2025/2026 onwards. 	<ul style="list-style-type: none"> • The increase in interest rates is a key risk area given the economic uncertainty at this time. Financial modelling will be undertaken to assess the sensitivity of the Authority's financial position and performance to existing interest rates and reported as part of the budget setting. • The timing of any costs associated with a new training centre are unknown at this stage as the business case has not been considered by the Authority. Although it is not anticipated that any building works will commence during 2024/25 it may be necessary to make provision for costs associated with detailed planning applications should approval be given.
Income	<ul style="list-style-type: none"> • Income budgets have been reviewed and set in line with previous years. • Welsh Government grant income reduced significantly during 2023/24 due to the removal of the Firelink Grant (£0.4m) and incorporation of the Scape Grant (£1.08m) into the RSG paid to local authorities. • The draft budget assumes that remaining Welsh Government grant funding will be received at 2023/24 levels. 	<ul style="list-style-type: none"> • No specific risks have been identified over and above the grant income from the Welsh Government for which inflationary uplifts are not anticipated.

North Wales Fire and Rescue Authority
Budget Scrutiny Working Group

CYLCH GORCHWYL / TERMS OF REFERENCE
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1. ENW'R CYFARFOD / NAME OF MEETING	North Wales Fire and Rescue Authority – Budget Scrutiny Working Group
2. CADEIRYDD / CHAIRPERSON	Chair of the Audit Committee
3. IS-GADEIRYDD / VICE-CHAIRPERSON	Vice Chair of the Audit Committee
4. YN ATEBOL I / REPORTS TO	Audit Committee
5. AMLDER CYFARFODYDD / FREQUENCY OF MEETINGS	Four specified meetings: - 04 October 2023 - 19 October 2023 - 06 November 2023 - 24 November 2023
6. FERSIWN A DYDDIAD / VERSION AND DATE	Version 1 1 October 2023

7. PWRPAS Y CYFARFOD / PURPOSE OF THE MEETING

The Budget Scrutiny Working Group is a Member led working group made up of Members from the Audit Committee, supported by the Authority's Treasurer.

With Members representing each of the constituent local authorities, the purpose of the group is to act as a scrutiny function in respect of the financial aspects of the Fire and Rescue Authority. In particular, the scrutiny will focus and consider the financial sustainability of the Authority and gain a common understanding of the financial assessment and risks.

8. AMCANION Y CYFARFOD / OBJECTIVES OF THE MEETING

- To provide scrutiny in respect of all areas of expenditure, seeking clarification and assurance as required.
- To gain sufficient understanding of the underlying issues relevant to the financial aspects of the Fire and Rescue Authority and its ability to deliver its objectives.
- To consider the completeness and reasonableness of the budget assessment for the 2024/25 financial year and the associated risks.
- Consider the robustness of the budget proposals and the Authority's ability to deliver savings against these budget proposals.
- To produce and publish a full report to the Audit Committee as part of the annual budget setting process.
- To cover key / contentious issues thoroughly enough to allow Working Group members to communicate thereon with wider NWFRA membership and their LAs' Cabinet members, etc.

9. AELODAU / MEMBERS	
Swydd / Position	Yn Cynrychioli / Representing
Chair, Cllr Mark Young Vice Chair, Cllr Gwynfor Owen Cllr Jeff Evans Cllr Austin Roberts Cllr Tina Claydon Cllr Bryn Apsley	Denbighshire CC Gwynedd CC Ynys Mon CC Conwy CC Flintshire CC Wrexham CC
Treasurer, Dafydd Edwards	Professional advisor to the Authority

10. BUDD-DDEILIAID / STAKEHOLDERS
<ul style="list-style-type: none"> • Fire and Rescue Authority • Constituent local authorities • Service Leadership Team

11. TREFNIADAU GWEITHREDU / OPERATING ARRANGEMENTS
<ul style="list-style-type: none"> • The initial work of the group will take place over four meetings scheduled for October & November 2023; • Dates have been scheduled in advance; • The Chair requests agenda items in advance; • Meetings can take place physically or online depending on the circumstances; • Actions and key decisions are noted and circulated for progression after the meeting.

12. ADDASU'R CYLCH GORCHWYL / AMENDING THE TERMS OF REFERENCE
<ul style="list-style-type: none"> • The Terms of Reference will be reviewed following the conclusion of the first four meetings to determine any future requirement.

Report to	Audit Committee
Date	18 December 2023
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer
Contact Officer	Helen Howard
Subject	Treasury Management Report Q2 2023/24



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members of the North Wales Fire and Rescue Authority (the Authority) with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2023 – 30 September 2023.

EXECUTIVE SUMMARY

- 2 In December 2003 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 September 2023.

EXTERNAL CONTEXT

- 6 Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

- 7 The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.
- 8 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to 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%.
- 9 Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

LOCAL CONTEXT

- 10 On 31 March 2023, the Authority had net borrowing of £13.26m arising from historical capital expenditure.
- 11 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	30.09.23 Actual £m
General Fund CFR	28.88	32.42
External borrowing	-26.65	-22.20
Internal borrowing	0.00	-9.22
Less: Balance sheet resources	-6.40	-9.94
Less: Investments	4.17	8.94
New borrowing	0.00	0.00

- 12 Table 1 confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR).
- 13 The treasury management position at 30 September and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Long-term borrowing (PWLB)	17.79	-0.66	17.13	1.00 - 4.90
Short-term borrowing	8.86	-3.79	5.07	1.30 - 3.91
Total borrowing	26.65	-4.45	22.20	
Short-term investments	0.00	-2.00	-2.00	5.20
Cash and cash equivalents	-4.17	-2.77	-6.94	4.65 – 5.14
Total investments	-4.17	-4.77	-8.94	
Net borrowing	22.48	-9.22	13.26	

BORROWING

- 14 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.
- 15 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

- 16 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.
- 17 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. The Bank Rate was 2% higher than at the end of September 2022.
- 18 PWLB borrowing rates continued to rise over the quarter. On 30 September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 19 At 30 September the Authority held £22.20m of loans, a decrease of £4.45m on 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans, on 30 September are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	30.9.23 Balance £m	30.9.23 Weighted Average Rate %	30.9.23 Weighted Average Maturity (years)
Public Works Loan Board	20.65	-1.45	19.20	2.46	4.54
Local authorities (short-term)	6.00	-3.00	3.00	3.91	1.00
Total borrowing	26.65	-4.45	22.20		

- 20 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 September 2023 on £3.00m 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 Remaining (Years)
PWLB Maturity Loan	2.00	4.80	29
PWLB EIP Loan	0.68	3.09	14
PWLB EIP Loan	4.86	3.91	17
Loans over 5 years	7.54		

- 21 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.
- 22 During the period 1 April – 30 September 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

- 23 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.

24 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	Net	30.9.23	30.9.23	30.9.23
	Balance	Movement	Balance	Income	Weighted
	£m	£m	£m	Return	Average
				%	Maturity
					days
Banks & building societies	4.17	2.77	6.94	4.65 - 5.14	on call
DMADF	0.00	2.00	2.00	5.20	54
Total investments	4.17	4.77	8.94		

25 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.

26 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.

27 Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 5.17% and 5.29% by the end of September and Money Market Rates between 4.65% and 5.14%.

COMPLIANCE

28 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.

29 During Quarter 2, the Service has opened a Debt Management Office Account, as the Treasury Management Strategy allows for unlimited funds to be placed with the DMO.

30 Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

Institution	Description	Limit	30.09.23 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 per bank	£6.94m	yes
Central Government	Debt Management Office (DMO)	Unlimited	£2.0m	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

31 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

	30.9.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	22.20	28.99	30.99	Yes
Total debt	22.20	28.99	30.99	

32 Since the operational boundary is a management tool for in-year monitoring there may be occasions when actual borrowing exceed 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

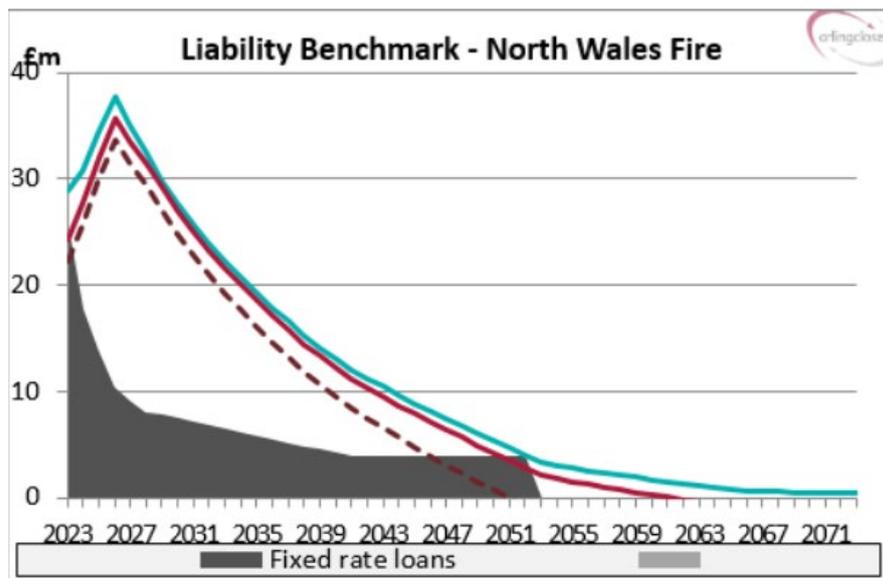
33 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

- 34 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.
- 35 It represents an estimate of the cumulative amount of external borrowing the Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £2.0m required to manage day-to-day cash flow.

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	28.88	32.42	34.50	37.70
Less: Balance sheet resources	-6.40	-5.00	-4.50	-4.00
Net loans requirement	22.48	27.42	30.00	33.70
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	24.48	29.42	32.00	35.70
Existing borrowing	-26.65	-17.80	-14.10	-10.50

- 36 The above forecast does not include any costs for the proposed training centre, as it is yet to be agreed by the Authority.
- 37 The liability benchmark is a long-term measure of the underlying need to borrow for all purposes over the long term and is based on the current capital programme and other forecast cash flow movements. It is a tool to compare the current loans portfolio against the current and planned need to borrow, in terms of both the level and term of borrowing. It indicates whether long term borrowing is more appropriate.
- 38 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £4m - £6m between 2023/24 and 2025/26, minimum revenue provision on new capital expenditure based on the current asset lives, as per the accounting policy, income and expenditure increasing by inflation of 2.5% p.a and a reduction in reserves. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



39 The graph shows the authority is expecting to need to borrow in future years. The Authority will always have a borrowing requirement as it does not hold significant cash or reserves and only has limited access to capital grant funding.

40 The blue line represents the need to fund capital expenditure through borrowing (the Capital Financing Requirement or CFR). The red lines represent the need to fund capital expenditure through borrowing once reserves and working capital surplus' (or deficits) have been taken into account – this is actually the real need to borrow which CIPFA have defined as being the Liability Benchmark. The dashed red line represents the position at year end and the solid line represents the average mid-year position. The grey shaded areas show actual loans. When the grey area falls below the red lines this infers a borrowing need.

Maturity Structure of Borrowing

41 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:

	30.9.23 Actual	Actual	Upper Limit	Lower Limit	Complied Y/N
Under 12 months	3.78	17.03%	60.00%	0.00%	Y
12 months and within 24 months	2.48	11.17%	45.00%	0.00%	Y
24 months and within 5 years	8.40	37.84%	45.00%	0.00%	Y
5 years and within 10 years	0.68	3.06%	75.00%	0.00%	Y
10 years and above	6.86	30.90%	100.00%	0.00%	Y

- 42 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

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

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objectives ensuring that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. Effective treasury management arrangements ensure that 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 North Wales Fire and Rescue Service's (the Service) 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 December 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 outline to Members with an update of the work undertaken by 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 undertaken to 30 November 2023 and the work planned for the remainder of the financial year.

RECOMMENDATIONS

- 4 It is recommended that Members:
 - i. Note the work undertaken by MIAA to 30 November 2023 and note the reviews planned for the remainder of the financial year.

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. The Audit Plan was approved by the Audit Committee at its meeting of 18th September 2023.

INFORMATION

- 8 The report contained within Appendix 1 provides an overview of the work undertaken to 30 November 2023. This confirms that the review of the Authority's arrangements for the management of payroll and absence management has completed. The payroll system is a core financial system and transactions account for over 70% of expenditure. The detailed audit report will be reported separately.
- 9 The report also outlines that work is ongoing in relation to the National Fraud Initiative (NFI). MIAA has provided 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 and a review of the Authority's key financial systems.

IMPLICATIONS

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 (December 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 included within the Audit Committee papers. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period 19th August to 31st November 2023

3 Executive Summary

2023/24 Audit Reviews

The following reviews have been finalised:

- Payroll & Attendance Management (Substantial Assurance)

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. A number of recommendations were raised including the development of a Payroll Policy, accuracy of the effective date of change captured on i-Trent, monitoring of access rights on i-Trent and the retention of evidence of stage reviews and keeping in touch interviews in relation to attendance management. ***The full report has been included separately in the Audit Committee papers.***

- National Fraud Initiative (NFI) Preparation Briefing

An initial Briefing Note was issued in September 2023 which provided a summary of the data matches received. Further work will be undertaken later in the year with a more detailed examination of the potential matches following our investigation.

- Review of Whistleblowing policy, Anti-fraud & Corruption and Gifts & Hospitality

We reviewed several policies and procedures from an Anti-Fraud perspective. A Briefing Note was issued in September 2023 which included a number of recommendations to strengthen the policies in place.

The following reviews are in progress:

- IT – Cyber Organisational Controls (fieldwork)
- Key Financial Systems (fieldwork)

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

- Transforming the delivery of public services using Human Learning Systems Approach (7th December 2023)

Events are free to all clients and bookings 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		Scheduled for Q4		March 2024
Key Financial Systems		Fieldwork		March 2024
National Fraud Initiative (NFI)	N/A	Initial Briefing – Completed Full Report	N/A	December 2023 March 2024
Payroll & Attendance Management		Completed	Substantial	December 2023
IT – Cyber Organisational Controls		Fieldwork		March 2024
Follow Up				
Q1	N/A	Completed by Conwy Council Auditors	N/A	June 2023
Q4	N/A	Scheduled for Q4		March 2024

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	Completed	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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Senior Audit Manager

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Report to	Audit Committee
Date	18 December 2023
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Report – Payroll and Attendance Management



PURPOSE OF REPORT

- 1 The purpose of this report is to present to Members the findings of the internal audit review of the payroll and attendance management arrangements and controls.

EXECUTIVE SUMMARY

- 2 The Authority is required to put arrangements in place for the audit of systems of control. The payroll and attendance management arrangements are considered to be a key financial system and the audit reviewed both the design and operation of these arrangements.
- 3 The report contained within Appendix 1 provides substantial assurance, identified areas of good practice and makes seven recommendations for further improvement.

RECOMMENDATIONS

- 4 It is recommended that Members:
 - i. Note the findings of the internal audit review of the payroll and attendance management arrangements.

BACKGROUND

- 5 The Internal Audit plan approved for 2024/25 includes a review of business critical systems which includes the audit of the payroll and attendance management arrangements.
- 6 The presence and operation of effective controls is critical to the overall governance arrangements and enables the Authority to discharge its responsibilities in relation to the Annual Governance Statement.

INFORMATION

- 7 The report contained within Appendix 1 provides confirmation of the work undertaken to review the control environment and operating effectiveness of the payroll and attendance management system.
- 8 The report confirms a substantial level of assurance with good practice noted in relation to the arrangements for attendance management. Seven recommendations for further improvement were agreed with management.

GOBLYGIADAU

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 and monitoring processes
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 an 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	The report confirms a substantial level of assurance with all recommendations for improvement being low or medium risk.

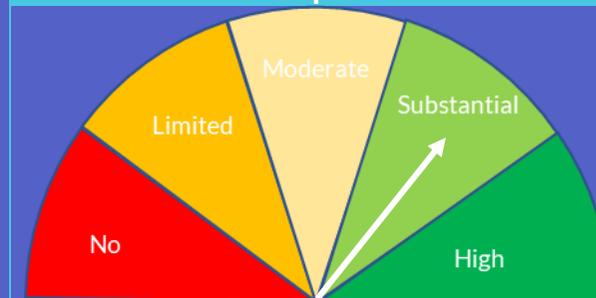
Payroll & Attendance Management Review

Assignment Report 2023/24 (Final)

North Wales Fire & Rescue Service

304NWFRS_2324_008

Overall Assurance Opinion



There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.

Contents

1 Executive Summary

2 Findings and Management Action

Appendix A: Engagement Scope

Appendix B: Assurance Definitions and Risk Classifications

Appendix C: Report Distribution

MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

The overall objective of the audit was to evaluate the robustness and effectiveness of controls that support the HR/payroll and sickness absence system(s) to ensure validity, accuracy, and timeliness of payments to employees.

Key Findings/Conclusion

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. The main areas of good practice related to the reporting arrangements around Attendance Management. Our review identified that long term sickness absence is monitored as part of the Attendance, Grievance and Discipline Committee. Sickness absence is also monitored as part of the Human Resources report which is reported at each Health, Safety and Wellbeing Committee meeting (held quarterly). Our review also found that sickness absence is reported to the Fire Authority on a quarterly basis which reflects the importance placed on this issue.

We confirmed that robust controls are in place over the monthly payroll runs within the Payroll team. Checklists are completed each month to evidence the audit report checks undertaken, prior to the payroll run. Our testing of amendments to pay (e.g. enhancements, overtime and additional basic hours) identified that all had been appropriately authorised by the Line Manager as confirmation of hours worked with evidence in place to demonstrate adequate segregation of duties in place within the Payroll team.

However, our review identified a number of areas that require improvement to ensure controls are adequately designed and operating effectively. These primarily related to our testing of changes where we found in one case, the effective date of change had not been accurately inputted onto i-Trent (the payroll system). We could not confirm that a formal review is undertaken of i-Trent users on a monthly basis and super user access was not monitored at the time of the review. Our testing of a sample of episodes of sickness absence identified that Absence from a Sickness Keeping in Touch forms (ASKITs) and review stages have not been consistently completed and applied as per the Attendance Management Policy. We also recommend that the Fire Service develops a Payroll Policy to oversee the payroll practices in place.

Objectives Reviewed	RAG Rating
Policies and Procedures	Amber
Access Rights	Amber
Starters, changes and leavers	Amber
Amendments to pay	Green
Overpayments	Amber
Payroll runs	Green
Payroll reconciliations	Amber
Managing Sickness Absence	Amber
Sickness reporting	Green

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	2	2
Low	2	1
Total	4	3

Areas of Good Practice

Payroll

- At the time of the review, we confirmed that all staff who have access to i-Trent (payroll system) were appropriate for their duties and role.
- Audit testing of new starters, changes and terminations found adequate segregation of duties were in place within Payroll. In all cases, the manual payroll forms had been signed and dated upon input and checking. Of our sample all had been notified to the Payroll team in a timely manner.
- Audit testing of a sample of amendments to pay (e.g. enhancements, overtime and additional basic hours) identified that all had been appropriately authorised by the Line Manager as confirmation of hours worked. Of our sample all had been accurately input to the Payroll system with adequate segregation of duties in place.
- Our walkthrough testing of overpayments identified that appropriate records were held for each overpayment. Full audit trails were held on file to demonstrate the recovery of overpayments with debtor invoices raised.
- A review of the last 3 months payroll runs confirmed that a checklist is completed for each month to evidence the series of checks and validations performed by the Payroll officers, prior to the payroll run. We also identified that the Payroll runs had been authorised by the Assistant Chief Fire Officer (or the Head of Finance) to process the payment.

Attendance Management

- The Service has a detailed and recently revised Attendance Management Policy in place which was approved by the Senior Management Team in June 2023. This is subject to an annual review

and is supported by a suite of documents (including procedures, workflows and modified duties forms). A review of the Policy confirmed that it clearly defines the roles and responsibilities of key staff including all employees and Line Managers.

- Testing was undertaken of a sample of 10 members of staff (covering both Grey and Green books) who have been on long-term sickness absence from April 2023 to date. Our testing identified the following:
 - In all cases, we confirmed that the employees had been paid in accordance with the Sickness Pay Entitlement procedure for both Grey and Green book employees.
 - In all cases the self-certification form had been received in line with the Sickness Absence Reporting, Certification and Contact Procedure which had been completed by the Line Manager or Occupational Health (e.g. following a failed medical test).
 - In all applicable cases, we found that GP fitness to work forms had not been obtained by HR to cover the whole period of absence. It was noted that fitness to work forms were not required where individuals have been absent from work due to a failed medical test.
- A further sample of 10 episodes of sickness absence were selected for testing (covering both Grey and Green books). Our testing identified that staff had been offered appropriate phased return arrangements to facilitate their return work and that these had been accurately recorded on i-Trent.
- The Attendance Grievance and Discipline Committee (AGDC) reviews long-term sickness every 6 weeks. We confirmed that any decisions and outcomes have been logged on the sickness spreadsheet for input into i-Trent.

- Our review of the Health, Safety and Wellbeing Committee agendas and minutes identified that Attendance Management has been included as part of the Human Resources Report and that this is reported on a quarterly basis. This provides an update on sickness by area (for both short and long term), calendar days lost, reasons for absence by category and absences following work-related accidents. A review of meeting minutes demonstrated discussion in relation to attendance management.
- The Fire Authority also receives information in relation to sickness absence as part of the Performance Monitoring report which is reported on a quarterly basis. Overall we found adequate monitoring and reporting arrangements are in place in relation to attendance management.

	<p>user access was not monitored at the time of the review.</p> <p>1.4. Attendance Management - Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In 3 cases we identified that an Absence from a Sickness Keeping in Touch form (ASKIT) had either not been completed for every month during the sickness absence period (2 cases) or that no ASKITs were held on file for the episode of sickness tested (1 case). In our sample, all members of staff had breached one or more trigger points per the Attendance Management policy. Our testing identified that in 2 cases, the stage review letters had not been issued in a timely manner.</p>
Low	<p>1.5. Payroll - The monthly reconciliation between iTrent and the General Ledger is not formally documented. A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they were cleared to zero for each month. This should be signed as prepared and reviewed to confirm adequate segregation of duties were in place.</p> <p>1.6. Payroll - A monthly log of overpayments is maintained by Payroll and this was found to be minimal in terms of volume of overpayments made by the Service. However, the value of overpayments was not monitored.</p>

Key Findings – Issues Identified

Medium	<p>1.1. Payroll - Discussions with management confirmed that although checklists were in place to ensure payroll procedures were followed, this was not supported by a formal policy/procedure outlining key roles and responsibilities.</p> <p>1.2. Payroll - Audit testing of 10 changes identified that in one case the effective date of change had not been accurately added to the i-Trent system. The employee changed their retained hours on the 1/7/23, however this had been input onto i-Trent as the 28/6/23.</p> <p>1.3. Payroll - The HR MIS System Specialist receives a schedule on a monthly basis which is used to sense check the users, however this check was not evidenced. In addition, we were informed that super</p>
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1.7. Attendance Management - Testing was completed on a sample of 10 episodes of sickness absence (covering Grey and Green books) from April 2023 to date. In one case, a return to work interview form had not been completed at the time of the review.

2 Findings and Management Action

1. Payroll Policy		Risk Rating: Medium
Control Design		
<p>Key Finding – Discussions with management confirmed that although checklists were in place to ensure payroll procedures were followed, this was not supported by a formal policy/procedure outlining key roles and responsibilities.</p>	<p>Specific Risk – Where roles and responsibilities are not clear, payments may be made to staff not employed by the organisation or for hours not worked, adversely impacting the financial position of the organisation. Requests for amendments made by authorised individuals do not reach, or are not processed by payroll staff, resulting in under/overpayments.</p>	<p>Recommendation - We recommend that a formal policy is developed to oversee payroll practices. This should outline all the procedures within Human Resources and Payroll and promote maintaining good practice. Roles and responsibilities should be detailed setting out the duties of the Human Resources team, Payroll team and Line Managers. Checklists for procedures should form part of the policy as appendices and detail regarding how these should be used and approved should be included. This policy should then be reviewed on an annual basis and have a Senior Management Team approval.</p>
<p>Management Response - There is an ongoing action plan to document all the procedures performed by Payroll & this will confirm who has the authority to complete each task. This will follow the format of the scheme of delegation that is in place for accounting staff.</p> <p>Responsible Officer – Payroll Manager</p> <p>Implementation Date – 31/01/24</p>		Evidence to confirm implementation – Payroll Policy.
2. Changes		Risk Rating: Medium
Operating Effectiveness		

<p>Key Finding – Audit testing of 10 changes identified that in one case the effective date of change had not been accurately added to the i-Trent system. The employee changed their retained hours on the 1/7/23, however this had been input onto i-Trent as the 28/6/23.</p>	<p>Specific Risk – Changes and are not effectively managed and controlled, resulting in under / overpayments.</p>	<p>Recommendation – Both Human Resources and Payroll teams should ensure that the effective date of change are adequately checked and verified to ensure that the dates have been correctly inputted on the i-Trent system. Evidence of this check should be documented.</p>
<p>Management Response – Moving forward, Payroll will add checking the Hours & Basis screen into our process to further ensure system accuracy. The check will highlight if the entry has not been made at all or has been made with the system date set after the date the individual has changed their hours. This, along with a report produced by HR will highlight all possible differences.</p> <p>Responsible Officer – Payroll Manager Implementation Date – 24/10/2023</p>		<p>Evidence to confirm implementation – Documented checks.</p>

<p>3. Monitoring of access rights on i-Trent</p>		<p>Risk Rating: Medium</p>
<p>Control Design</p>		
<p>Key Finding – The HR MIS System Specialist receives a schedule on a monthly basis which is used to sense check the users, however this check was not evidenced. In addition, we were informed that super user access was not monitored at the time of the review. Reports can be run from the system to check this.</p>	<p>Specific Risk – User access is not set up to enforce segregation of duties, resulting in the addition of ‘ghost’ employees.</p>	<p>Recommendation – The routine review carried out by the HR MIS System Specialist should be evidenced and held on file for each month. In addition, super user access should be monitored by an independent staff member to confirm that access at this level is appropriately controlled.</p>

<p>Management Response – Monthly audit report has been updated in a way which should make it easier to highlight any amendments needed in access level.</p> <p>The new report allows for: better comparison of departments and access roles typically assigned within each department, better monitoring of ghost user accounts (accounts not linked to an employee profile) and better maintenance of ended user accounts.</p> <p>The report will be run monthly to the iTrent Helpdesk inbox where it will have an initial review by the MIS System Specialist or appropriate alternative. Comments will be added to identify changes or investigations actioned from the audit document. The file will then be forwarded the HR department for a secondary review. A document controls page will be used to monitor who completed the reviews and when. The documents will be saved in a designated folder.</p> <p>Responsible Officer – HR MIS Officer</p> <p>Implementation Date – 10/10/2023</p>	<p>Evidence to confirm implementation – Monthly i-Trent report check and control document.</p>
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<p>4. ASKITs and Stage Reviews</p>		<p>Risk Rating: Medium</p>
<p>Operating Effectiveness</p>		
<p>Key Finding – Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In 3 cases we identified that an ASKIT form had either not been consistently completed for each month during the duration of the sickness absence (2 cases) or that no ASKITs were held on file for the episode of sickness tested (1 case).</p>	<p>Specific Risk – Non-compliance with the Attendance Management policy.</p>	<p>Recommendation – The Service should ensure that ASKITs are completed for each month of sickness absence in line with the Attendance Management policy.</p> <p>Line Managers in conjunction with Human Resources should notified in a timely manner than an employee who is off sick is due to trigger the next review stage. This should ensure that the next review stage is issued in line with the requirements per the Attendance Management policy.</p>

<p>In our sample, all members of staff had breached one or more trigger points per the Attendance Management policy. Our testing identified that in 2 cases, the stage review letters had not been issued in a timely manner.</p>		
<p>Management Response - HR Specialists have been following up on overdue ASKIT forms and chasing Line Managers when necessary. However, despite these efforts, some forms have not been provided. In addition to this, an automated email is sent to the line manager from iTrent outlining the responsibilities of the manager when their staff members are absent due to illness.</p> <p>The Auditor was presented with evidence to assure them that HR Specialists have been actively chasing ASKIT forms, but Line Managers are not consistently actioning these requests. Thus, highlighting a potential capability issue among line managers.</p> <p>Discussions have taken place among the HR Department regarding situations where managers are unable to complete the ASKIT forms with their staff, such as during a hospital stay. In such cases, managers should still complete the ASKIT form, outlining the reasons for their inability to do so. This information can then be stored in the employee's iTrent record.</p> <p>Moving forward, overdue ASKIT forms will be more prominently features in the AGDC report. It has been agreed at the Attendance, Grievance and Discipline Committee that HR Specialists will attend Station Support Officer meetings to provide an awareness session concerning attendance management and compliance with the ASKIT requirements. Training is already offered to Line Managers.</p> <p>Responsible Officer – HR Specialist Team Implementation Date – 10/10/2023</p>		<p>Evidence to confirm implementation – ASKITs held on personnel files. Timely issue of stage review letters.</p>

5. Payroll reconciliations		Risk Rating: Low
Control design		
<p>Key Finding – The monthly reconciliation between iTrent and the General Ledger was not formally documented. A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they were cleared to zero for each month. This should be signed as prepared and reviewed to confirm adequate segregation of duties were in place.</p>	<p>Specific Risk – Interfaces are inaccurately uploaded, resulting in payments made to incorrect individuals, or for hours not worked.</p>	<p>Recommendation – A control sheet should be completed to confirm that the control accounts and holding codes have been checked to ensure that they are cleared to zero for each month, this should be signed as prepared and reviewed to confirm adequate segregation of duties are in place.</p>
<p>Management Response - The accounts relating to third party payments (e.g. pensions, student loans, app levy etc) are checked each month. The Payroll Manager completes a schedule of payments which he checks against the iTrent data. This is picked up by the Finance Apprentice, who enters the AP Payments onto the Financial System for processing, at the same time checking the balance of the ledger accounts to ensure they agree. Any variances are checked and amended as appropriate with the Senior Finance Officer/Payroll Manager.</p> <p>The pay file is imported into the GL as a journal format. Therefore, total debits must equal total credits, and the Pay ledger in totality will net to zero.</p> <p>Technology One (financials system) does not use holding accounts.</p> <p>External audit have asked for a year-end reconciliation between iTrent and TechOne. This was provided for the 2022/23 audit, and we will review the process and look to implement in the current year.</p> <p>Responsible Officer – Deputy Head of Finance and Procurement</p> <p>Implementation Date – 31/12/2023</p>		<p>Evidence to confirm implementation – Monthly reconciliations iTrent/General Ledger.</p>

6. Monitoring of overpayments		Risk Rating: Low
Control Design		
Key Finding – A monthly log of overpayments is maintained by Payroll and this was found to be minimal in terms of volume of overpayments made by the Service. However, the value of overpayments was not monitored.	Specific Risk – Records of overpayments are not made or monitored, resulting in non-recovery of payments made in error.	Recommendation - The monthly log should be enhanced to include total value of the overpayments so that trends can be identified and movements in payments can be tracked. This should be monitored on a monthly basis by the Service and escalated accordingly.
Management Response - From September 2023 an overpayment log has been created, it details the employee, position & value overpaid. It also includes the detail of why the overpayment occurred, when the employee was notified of the overpayment & where applicable when the overpayment was recovered. Responsible Officer – Payroll Manager Implementation Date – Completed		Evidence to confirm implementation – Monthly overpayment log.

7. Return to work interviews		Risk Rating: Low
Operating Effectiveness		
Key Finding – Testing was completed on a sample of 10 members of staff (covering both Grey and Green books) who have taken long-term sickness absence leave from April 2023 to date. In one case, a return to work interview form had not been completed at the time of the review.	Specific Risk – Non-recording/inaccurate recording of return to work interviews for staff leading to inconsistent support to staff, impact on health and wellbeing and increased sickness absence.	Recommendation – The Service should ensure that a return to work interview is undertaken in a timely manner following all sickness related absences. Line Managers should also be reminded to send the completed forms to the Human Resources team to aide monitoring and for audit purposes.

<p>Management Response - Similar issues were noted with the Return to Work forms, which are pursued by the HR Management Assistants, with similar issues faced with the ASKIT forms.</p> <p>The HR Administration Team have a spreadsheet which is reviewed periodically and the return to works are chased within 7-10 day of the employee booking FIT or the FIT note expiration.</p> <p>During a future Station Support Meeting, HR Specialists will emphasise the importance of completing return to work paperwork. Training is also already offered to all LMs on a regular basis.</p> <p>Responsible Officer – HR Administration & Systems Co-ordinator</p> <p>Implementation Date – 10/10/2023</p>		<p>Evidence to confirm implementation – Retention of Return to Work interview forms.</p>

Appendix A: Engagement Scope

Scope

The following sub-objectives were identified:

- Roles and responsibilities have been clearly set out and communicated.
- There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes and manage sickness absence.
- Access rights to the payroll system are controlled and monitored.
- New starters, contractual changes and terminations are notified to payroll promptly, are appropriately authorised, and are accurately added to the payroll system prior to the payroll cut-off date.
- Amendments to pay (e.g., enhancements, overtime) are appropriately authorised and accurately processed and uploaded to the payroll system.
- There is a process in place to ensure overpayments (e.g., late submission of termination / contractual change forms) are recorded, monitored and recovered in a timely manner.
- The interfaces between the payroll system and other feeder systems are checked and reconciled.
- The payroll is subject to validation, authorisation and accuracy checking before payment is made and appropriate processes are in place to review exceptional / unusual payments prior to processing.
- Sickness absence is managed in line with the requirements of the NJC Pay and Conditions.
- The Service actively facilitates employees to return to work after illness and Managers ensure that the relevant support is afforded to employees and the process is managed effectively.

- Different levels of management, and the Authority receive sufficient information in relation to sickness and absence levels, which reflects the importance placed on this issue.

Scope Limitations

The limitations to scope are as follows:

- The scope of this review focused on the objectives described above and is limited to the controls in operation at the organisation.

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

Appendix B: 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.

Appendix C: Report Distribution

Name	Title
Dawn Docx	Chief Fire Officer
Stewart Forshaw	Deputy Chief Fire Officer
Dafydd Edwards	Fire and Rescue Authority Treasurer
Helen MacArthur	Assistant Chief Fire Officer
Llinos Gutierrez-Jones	Head of HR and Business Support Unit
Helen Howard	Head of Finance



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Limitations

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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.

Report to	Audit Committee
Date	18 December 2023
Lead Officer	Stewart Forshaw, Deputy Chief Fire Officer
Contact Officer	Anthony Jones, Head of Planning, Performance and Transformation
Subject	Local Government (Wales) Measure 2009



PURPOSE OF REPORT

- 1 The purpose of this report is to confirm to Members the outcome of the external audit of the Authority's 2023/24 improvement measures, as required by the Local Government (Wales) Measure 2009.

EXECUTIVE SUMMARY

- 2 Under the Local Government (Wales) Measure 2009, the North Wales Fire and Rescue Authority (the Authority) is required to publish an annual Improvement Plan as soon as reasonably practicable after the start of the financial year. This requirement is incorporated into the Authority's Corporate Plan 2021-2024 (revised march 2023) which was presented to Members at the Authority meeting of 17 April 2023.
- 3 The improvement measures are subject to audit by Audit Wales who are required to report on whether the Authority has discharged its responsibilities under section 17 and 19 of the Local Government (Wales) Measure 2009.

RECOMMENDATIONS

- 4 Members are asked to:
 - i. Note the audit letter which confirms that the Authority has discharged its responsibilities under the Local Government (Wales) Measure 2009.

BACKGROUND

- 5 Fire and Rescue Authorities in Wales are required to publish improvement objectives in accordance with the Local Government (Wales) Measure 2009, and well-being objectives in compliance with the Well-being of Future Generations (Wales) Act 2015. For the purposes of the Authority's planning processes these are treated as one and the same.

- 6 The Local Government (Wales) Measure 2009 requires the Authority to:
- Make arrangements to secure continuous improvement in the exercise of its functions;
 - Make arrangements to secure achievement of its improvement objectives; and
 - Make arrangements to exercise its functions so that any performance standard specified by the Welsh Ministers is met.

INFORMATION

- 7 The Corporate Plan 2021-24 (revised March 2023) sets out the Authority's objectives and was approved by Members at the meeting of the 17 April 2023. It is subject to audit review by Audit Wales who are required to confirm whether the Authority has discharged its responsibilities in respect of the improvement measures.
- 8 The audit letter set out in Appendix 1 confirms that Audit Wales has concluded its work on the Corporate Plan 2021-24 and is satisfied that the Authority has discharged its responsibilities.

IMPLICATIONS

Wellbeing Objectives	This report confirms that the Authority has met its statutory obligations under the Local Government (Wales) Measure 2009
Budget	The improvement measures set out in the Corporate Plan are underpinned by the financial planning process.
Legal	The Audit Wales report confirms that the Authority has met its statutory obligations.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	The development of the Corporate Plan 2021-24 considers the risks faced by the Authority.

Reference: 3797A2023

Date issued: September 2023

Audit of North Wales Fire and Rescue Authority's 2023-24 Improvement Plan

The Wales Fire and Rescue Service Circular number: W-FRSC(2021)07 requires Fire and Rescue Authorities in Wales to continue to report against the Local Government Measure 2009 until a new National Framework and revised arrangements have been introduced.

Certificate

I certify that, following publication in April 2023, I have audited North Wales Fire and Rescue Authority's (the Authority) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Authority has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Authority and the Auditor General

Under the Measure, the Authority is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Authority to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Authority is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Authority has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Authority's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Authority has discharged its duties to prepare and publish an

Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit, I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Authority can be achieved. My audit of the Authority's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Authority had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.



Adrian Crompton
Auditor General for Wales

CC: Jane Hutt MS, Minister for Social Justice
Carwyn Rees, Audit Manager