

AWDURDOD TÂN AC ACHUB GOGLEDD CYMRU



NORTH WALES FIRE AND RESCUE AUTHORITY

A meeting of the **AUDIT COMMITTEE** will be held
MONDAY 17 JUNE 2024 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 March 2024

5. Matters Arising

6. Governance Arrangements for Fire and Rescue Services in North Wales

7. Audit Wales Audit Plan 2024

8. HOIA Opinion and Annual Report 23-24

9. Internal Audit update as at 31 May 2024

10. Treasury Management Update Q4 2023-24

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 March 2024 virtually via Zoom. Meeting commenced at 09.30hrs, following a training session on cyber security delivered from 09:00 to 09:30.

Councillor

Mark Young (Chair)
Gwynfor Owen (Deputy Chair)
(left 11:14)
Bryan Apsley (left 10:16)
Tina Claydon
Jeff Evans (from 09:58)
John Brynmor Hughes
Gareth R Jones
Marc Jones (from 09:11; left 10:19)
Beverley Parry-Jones (left 10:51)
Arwyn Herald Roberts

Representing

Denbighshire County Council
Gwynedd Council

Wrexham County Borough Council
Flintshire County Council
Anglesey County Council
Gwynedd Council
Conwy County Borough Council
Wrexham County Borough Council
Wrexham County Borough Council
Gwynedd Council

Also present:

Helen MacArthur
Dafydd Edwards
Helen Howard
Catherine Watts
Angharad Ellis
Paul Roberts
Stephen Kitching
George Jones
Lisa Allington

Assistant Chief Fire Officer
Treasurer
Head of Finance and Procurement
Mersey Internal Audit Agency
Mersey Internal Audit Agency
Arlingclose
Arlingclose
Atebol - Translator
Executive Assistant – Note Taker

1.0 APOLOGIES

Councillor

Sharon Doleman
Austin Roberts
Michelle Walker

Representing

Conwy County Borough Council
Conwy County Borough Council
Denbighshire County Council

ABSENT

Councillor

Cllr Marion Bateman
Adele Davies-Cooke

Representing

Flintshire County Council
Flintshire County Council

Following the Cyber Security training session, it was asked how Members would be reported back to with regards to Cyber Security and ACFO MacArthur responded that North Wales Fire and Rescue Service (the Service) had a Cyber Security Lead in place and that she herself was the appointed Senior Information Risk Owner (SIRO). A process was in place within the Service in order to monitor and manage cyber threats and every employee was encouraged to take responsibility for their own cyber security, and provided with the methods to enable them to do so.

It was agreed that a report on cyber risks within the Service would be provided to a future Audit Committee meeting, as a Part II item due to the sensitive nature of its content.

2.0 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest to record.

3.0 NOTICE OF URGENT MATTERS

3.1 CFO Docx reported on events which had taken place over the last month in relation to the cultural aspects associated with the sector.

The CFO noted that on 26 February, the Deputy Minister for Social Partnership, Hannah Blythyn, had announced an intervention with South Wales Fire and Rescue Service (SWFRS) in that the Fire Authority had been removed and Commissioners would be put in place by the Welsh Government with terms of reference to improve its culture. It was also necessary to appoint an interim Chief Fire Officer.

Immediately following that announcement, the Chief Fire and Rescue Advisor for Wales, Dan Stephens, had contacted both North Wales Fire and Rescue Service and Mid and West Wales Fire and Rescue Service (MAWWFRS) in order to ascertain whether there were any senior officers who may be interested in assuming the role of Interim Chief Fire Officer at SWFRS, working under the commissioners. ACFO Stuart Millington had expressed an interest in this role and was subsequently appointed. Within NWFRS, Justin Evans has been appointed to the vacant role of Assistant Chief Fire Officer (ACFO) for the duration of the secondment of Stuart Millington.

In March, proposals for independent oversight of the progress of NWFRS and MAWWFRS in the cultural reforms had been jointly developed by the Service and MAWWFRS and provided to the Deputy Minister. This proposal included assessment of the position and progress against the findings of other reviews within the sector including South Wales Fire and Rescue Service, and to ensure that priorities were identified for further action. It is currently proposed that the same reviewer would be used at both NWFRS and MAWWFRS.

The Deputy Minister had subsequently delivered a statement advising that this would take place; however, funding would need to be provided by the services involved and may cost up to £0.5m.

Alongside this, ITV Wales had been running a story regarding alleged complaints within the Service. The CFO confirmed her concern for any member of staff who is experiencing poor behaviours and has reached out to and encouraged colleagues to report any poor behaviours being experienced.

On 11 March, the Chair and the CFO provided evidence to the Equality and Social Partnership Forum at the Senedd in Cardiff.

The Chair of the Audit Committee thanked the CFO for her update. He noted that communication with Members needed to be maintained to ensure that they were kept aware of all issues. The CFO confirmed that the Service was trying to get information out as expediently as possible. She also advised that an internal board was being compiled to look at more of the detail of the review, and that regular reports would be provided to the North Wales Fire and Rescue Authority (the Authority) to advise of progress.

A Member queried the sum of money required to have the Independent review and it was responded that an accurate figure could not be provided until the full scope and the independent evaluator was known. However, if the review was not KC led it was likely to cost less than the estimate. The CFO also noted that it would be necessary to provide support for existing staff and this would also need to be factored into the costings.

The role of Members was discussed and it was confirmed that their input was critical especially through the role of the EDI Member Champion. The EDI Champion would be involved with the internal board, as would members of the Standards Committee.

4.0 MINUTES OF THE MEETING HELD ON 18 DECEMBER 2023

4.1 The minutes of the meeting held on 18 December 2023 were submitted for approval.

4.2 RESOLVED to:

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

5.0 MATTERS ARISING

- 5.1 The Treasurer noted that in relation to paragraph 6.4 which referred to risks to the budget, he had been advised that the UK Government would be providing funding to the Welsh Government to support with the increased pensions costs, although the amount of funding to be received was as yet unknown.
- 5.2 Further in relation to 6.6 which asked for a common statement of explanation to be provided to Members by Officers for them each to present to their constituent councils in order to explain the how the levy had been reached, an explanatory statement had been issued and it was hoped that this had been of use for Members in setting a budget.

6.0 FINANCIAL RESERVES STRATEGY

- 6.1 ACFO MacArthur presented the Financial Reserves Strategy paper which aimed to provide Members with an updated version of the Financial Reserves Strategy (the Strategy).
- 6.2 A Member asked if the risk in relation to pensions was being covered by reserves and ACFO MacArthur responded that the financial impact would be in the region of £300,000. It remained an open risk; however, it was anticipated that this would be covered by the Welsh Government. If it were not, permission to use reserves would be sought.

6.3 RESOLVED to:

- i) Approve the Financial Reserves Strategy, as a basis for managing the Authority's usable reserves.**

7.0 TREASURY, MANAGEMENT AND CAPITAL OVERVIEW PRESENTATION BY ARLINGCLOSE

- 7.1 Paul Roberts and Stephen Kitching were introduced to Members and their role with the Service was explained. A presentation on the treasury, management and capital overview was delivered.

7.2 RESOLVED to:

- i) note the content of the presentation**

8.0 TREASURY MANAGEMENT REPORT Q3 2023/24

- 8.1 Dafydd Edwards presented the Treasury Management report for quarter 3 of 2023-24, the purpose of which was to provide Members with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2023 – 30 December 2023.

8.2 RESOLVED to:

- i) note the treasury management activities and prudential indicators for the period 1 April – 31 December 2023.**

9.0 TREASURY MANAGEMENT PRACTICES (TMPS)

9.1 Dafydd Edwards, Authority Treasurer, presented the Treasury Management Practices report which advised Members that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management requires the Authority to approve relevant practices, principles and schedules annually. These were required to ensure that the Authority's Treasury Management policy was set and adhered to, and to establish working practices and controls in order to implement the approved strategy.

9.2 RESOLVED to:

- i) recommend that the Authority approve the Treasury Management Practices, Principles and Schedules for 2024/25 as set out in this report and Appendix. This will ensure compliance with CIPFA's Code of Practice for Treasury Management.**

10.0 TREASURY MANAGEMENT STRATEGY (TMS) 2024/25

10.1 Dafydd Edwards, Treasurer, presented the Treasury Management Strategy (TMS) 2024/25 which presented to Members the proposed Treasury Management Strategy for the period April 2024 – March 2025, and provided them with details and explanations of the proposed Strategy, in order to facilitate Members' support for approval by the Authority on 15 April, and equip Audit Committee Members with a solid foundation for their quarterly monitoring and scrutiny of actual Treasury Management activity during 2024-25.

10.2 RESOLVED to:

- i) endorse the Treasury Management Strategy for 2024/25; and**
- ii) recommend approval by the Authority.**

11.0 CAPITAL STRATEGY 2024/34

11.1 ACFO MacArthur presented the Capital Strategy 2024/34 which aimed to present to Members the proposed Capital Strategy for the period April 2024 – March 2034, and provide details and explanations of the proposed Strategy, in order to facilitate Members' support for approval by the Authority on 15 April.

11.2 RESOLVED to:

- i) endorse the Capital Strategy for 2024- 2034; and**
- ii) recommend approval by the Fire and Rescue Authority.**

12.0 INTERNAL AUDIT PLAN 2023/24 UPDATE REPORT, INCL. KEY FINANCIAL PROCESSING CONTROLS 2023/24; NATIONAL FRAUD INITIATIVE 2022/23; AND RISK MANAGEMENT CORE CONTROLS 2023/24

12.1 Angharad Ellis presented the Internal Audit Plan 2023/24 Update Report and Members were advised that the purpose of this report was to provide an update of the work undertaken by the Authority's internal audit providers, MIAA, for the for the period 1 December 2023 to 29 February 2024.

12.2 A summary of each of the individual reports provided was given.

12.3 The Head of Finance and Procurement and her team were thanked, along with colleagues from MIAA, for the work that had been dedicated to the audit.

12.4 RESOLVED to:

- i) Note the work undertaken by MIAA during 2023/24; and**
- ii) Note the work finalised between 1 December 2023 to 29 February 2024, including the agreed recommendations for further improvement.**

13.0 INTERNAL AUDIT PLAN 2024/25

13.1 Angharad Ellis outlined the proposed internal audit plan for the 2024/25 financial year.

13.2 A Member asked, if work on the business case for the New Training Centre were required, would it be included in the Audit Plan. Angharad Ellis confirmed that whilst it was not currently included in the Audit Plan, it could be added at a later date.

13.3 Dafydd Edwards highlighted that the allocation of the days between the proposed audits would be agreed prior to the commencement of the audit plan.

13.4 RESOLVED to:

- i) Approve the proposed audit work programme for 2024/25 and endorse the three-year strategic plan.**

14.0 AUDIT WALES ANNUAL AUDIT SUMMARY

14.1 Carwyn Rees from Audit Wales provided Members with the Annual Audit Summary 2023 produced by Audit Wales.

14.2 RESOLVED to:

i) **note the annual audit summary.**

15.0 URGENT MATTERS

15.1 There were no urgent matters to discuss.

ACFO MacArthur queried whether Members would prefer for these meetings to be held in a hybrid manner, and Members confirmed that they would like this opportunity. It was agreed that the next meeting on 17 June would be held in a hybrid manner.

Meeting closed 11.19 hrs

Report to	Audit Committee	
Date	17 June 2024	
Lead Officer	Dawn Docx, Chief Fire Officer	
Contact Officer	Dawn Docx, Chief Fire Officer	
Subject	Governance Arrangements for Fire and Rescue Services in Wales	

PURPOSE OF REPORT

- 1 To bring to Members of the North Wales Fire and Rescue Authority (the Authority) attention the work being undertaken to research and evaluate appropriate governance arrangements around Fire and Rescue Services in Wales.

EXECUTIVE SUMMARY

- 2 Members should be aware of the ongoing debate around appropriate governance arrangements for Fire and Rescue Services in Wales. This report presents to Members the intentions of the Cabinet Secretary for Housing, Local Government and Planning, who is also responsible for Fire and Rescue in Wales, and directs them to the opinions and recommendations of the Equalities and Social Justice Committee published on 6 June 2024.

RECOMMENDATION

- 3 That Members note:
 - i) The work initiated by the Cabinet Secretary for Housing, Local Government and Planning with the South Wales Local Authorities; and
 - ii) The second part of the report published by the Equality and Social Justice Committee's report setting out their opinions for change to the governance arrangements for Fire and Rescue Services in Wales.

INFORMATION

- 4 The existing governance arrangements for Fire and Rescue Services in Wales were established through the three Combination Orders in 1996. These established the current three Fire Authorities and the pooled funding mechanism via a levy from each constituent Local Authorities.

- 5 This is just one model of governance, but is at least consistent across the whole of Wales. Traditionally there have been a number of models of governance for Fire and Rescue Services in the U.K., such as County Council model, Combined Authorities and Metropolitan Authorities. In recent years this has further fragmented with Mayoral models, Police, Crime and Fire Commissioners, Corporate Sole in London and Boards in Scotland and Northern Ireland.
- 6 Over the years there has been some debate as to whether the current model in Wales is suitable for the future and this culminated in a White Paper in 2018. Ultimately it was decided to remain with the current governance model but to undertake further work around funding, which did not progress due to Covid.
- 7 This issue has been resurrected as a result of the Independent review into Culture in South Wales Fire and Rescue Service and the Welsh Government's decision to intervene by replacing the Fire Authority with Commissioners.
- 8 The Cabinet Secretary for Housing, Local Government and Planning has recently written to the Council Leaders in South Wales setting out her desire to work "collectively to develop a new, clearer and more effective governance model" for Fire and Rescue Services. Please see Appendix 1. In her letter she has posed seven questions to prompt the thought process. This letter has also been copied to the Leaders of all the Councils in Wales.
- 9 On the 6 June 2024, the Equality and Social Justice Scrutiny Committee published its report entitled "[Sound the Alarm: The Governance of Fire and Rescue Services](#)". The last twenty pages reflects their opinions around governance arrangements.
- 10 In addition, Audit Wales are in the process of writing a report to reflect their own observations around governance arrangements and this will be shared with Members once it is published.

IMPLICATIONS

Well-being Objectives	Good governance enables delivery of our Well-being Objectives.
Budget	As yet, these are unknown.
Legal	Any change in the Combination Order will require primary legislation.
Staffing	No known staffing considerations.
Equalities/Human Rights/ Welsh Language	No known issues arising.
Risks	Risk of time and resources being redirected to developing and testing alternative models of governance versus failure in good governance



Ein cyf/Our ref JJ/05145/24

Council Leaders
South Wales Local Authorities

naomi.alleyne@wlga.gov.uk

31 May 2024

Dear Council Leaders

Thank you for your letter of 11 April about the Welsh Government's decision to appoint Commissioners to oversee South Wales Fire and Rescue Service (SWFRS). I welcomed the opportunity to meet most of you on 16 May to discuss the issues you raised.

As I said at that meeting your input is vital to resolving the problems in SWFRS and I look forward to working closely with you and the wider local government family to develop that solution. I committed to regular discussions with yourselves, and I expect the Commissioners to do the same.

Many of the problems within SWFRS related to misconduct and poor management by officers and I regret any sense that individual Members felt unfairly criticised by the appointment of Commissioners. Communication around that decision could have been better, and you have my commitment that it will be better in the future. I will also be writing to the Members of SWFRA who were in post at the point of intervention in similar terms.

Nonetheless, the situation also exposed problems within the current system of governance in the sector across Wales. Again, I do not think that represented failings on the part of individual Members so much as systemic weaknesses in the current model. As I said in the meeting those might include: a lack of clarity about the purpose of an FRA in relation to the FRS; too many members; an understandable imbalance of expertise between Members and officers given the technical nature of much of firefighters role; and inadequate support, training and remuneration for Members. The current financial model, relying on the levying of contributions from local authorities, lacks accountability and also needs revisiting. It would also be regrettable if appointments to FRA membership were seen as somehow less important than appointments to Council cabinets or scrutiny committee chairs.

I want to work with local government across Wales collectively to develop a new, clearer and more effective governance model within the sector. I plan to visit all local authorities in the coming months, and I also aim to participate in your regional meetings and to attend meetings of Fire and Rescue Authorities. The requirement for a new model is particularly pressing in South Wales, as it will need to be in place to support the ending of the intervention, which I expect to occur as soon as possible, and by the end of the current

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Senedd term at the very latest. Some form of shadow operation of the new model might well be necessary to allow for that. However I expect to apply the new approach to the other two FRAs too.

To initiate that work, when we met on 16 May I said I would welcome written observations from yourselves. Those can and should cover any matter which you feel is relevant, but it might be particularly helpful to focus on the following:

- What the overall purpose of an FRA should be (eg leadership of the Service and/or scrutiny of officers)
- The ideal number of Members of an FRA
- How those Members should be appointed (eg nominated by local authorities and/or the Welsh Ministers, and/or co-opted by the FRA)
- The support, training and remuneration that FRA Members should receive
- The internal structures that FRAs should have, eg scrutiny committees
- The accountability relationships that FRAs should have with local authorities, communities and the Welsh Government
- What the funding arrangements should be (eg levies, Welsh Government grants or council tax precepts), and how to ensure accountability for budget and spending decisions

At this very early stage I have not reached a position on any of these issues, and I offer them only to give structure to our discussions. We agreed on 16 May that the WLGA would co-ordinate responses, and I welcome any contribution you are able to make, ideally by the end of June. I will then look to arrange further individual and collective discussions with you.

I am copying this letter to other attendees at our meeting, and to the Commissioners. In light of the implications across Wales, I am also copying it to all other Leaders and to the Chairs of North Wales and Mid and West Wales FRAs.

Yours sincerely



Julie James AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol, Tai a Chynllunio
Cabinet Secretary for Housing, Local Government and Plannin

Report to	Audit Committee	
Date	17 June 2024	
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer Finance and Resources	
Contact Officer	Carwyn Rees, Audit Wales	
Subject	Audit Plan 2024	

PURPOSE OF REPORT

- 1 The purpose of this report is to confirm the 2024 Audit Plan which details the audit approach and work to be undertaken by Audit Wales as North Wales Fire and Rescue Authority (the Authority)'s statutory auditors.

EXECUTIVE SUMMARY

- 2 Audit Wales is the statutory auditor for the Authority and its work covers the financial statements, the Local Government (Wales) Measure 2009 and the sustainable development principle arising from the Authority's wellbeing objectives.
- 3 The audit plan for 2024 is contained within appendix 1 and confirms the auditor's responsibilities and proposed approach.

RECOMMENDATIONS

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

IMPLICATIONS

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

North Wales Fire and Rescue Authority – Detailed Audit Plan 2024

Audit year: 2023-24

Date issued: June 2024

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.



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

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



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

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



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

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Introduction

I have now largely completed my planning work.

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

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

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



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements (including the Firefighters Pension Fund) which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

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

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

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

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

Performance audit work

I must satisfy myself that the Authority:

- has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. I do this by undertaking an appropriate programme of performance audit work each year.
- is acting in accordance with the sustainable development principle when setting and taking steps to meet their well-being objectives.
- Under the Local Government (Wales) Measure 2009 (the Measure), the Authority has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Authority is likely to (or has) met these requirements.

My work programme is informed by specific issues and risks facing the Authority and wider local government in Wales. I have also taken account of the work that is being undertaken or planned by other external review bodies and by internal audit.

My performance audit work is designed to comply with auditing standards set out by the International Organisation of Supreme Audit Institutions (INTOSAI). This is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

Your audit at a glance



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

My audit planning has identified the following risks:

Significant financial statement risk

- Management override of controls

Other areas of audit focus

- Valuation of pension fund net liability
- Valuation of land and buildings
- Senior officer remuneration



My performance audit will include:

- Thematic Review - Setting of Wellbeing objectives



Materiality

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

Financial statements' materiality



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

My aim is to identify and correct material misstatements, that is, those that might otherwise mislead the user of the accounts.

Planning materiality is calculated using:

- Actual 2022-23 gross expenditure of £47.7million
- Actual 2022-23 gross expenditure of £11.1 million (Firefighters pension fund).
- Materiality percentage of 2%

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



Areas of specific interest

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

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

Significant financial statements' risks

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

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].	The audit team will: <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for bias;• evaluate the rationale for any significant transactions outside the normal course of business;

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net liability</p> <p>The Local Government Pension scheme (LGPS) and Firefighters Pension Scheme pension fund liability as reflected in the financial statements are material estimates.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels also has a significant impact on the liability. For example, the Local Government Pension Scheme element is expected to be a surplus at 31 March 2024, primarily due to higher interest rates.</p> <p>There are also several legal cases potentially impacting on the valuation of the net liability.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary; • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor’s expert) and undertaking any additional procedures required; and • assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

Audit risk	Our planned response
<p>Valuation of land and buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.</p> <p>Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity, depending on the specialist and management assumptions, and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change year on year, and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2024, particularly in the current economic environment.</p> <p>The Authority has chosen to revalue its property asset portfolio in 2023-24 to reduce the risk of material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness; • evaluate the competence, capabilities and objectivity of the professional valuer; • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and • test the reconciliation between the financial ledger and the asset register.
<p>Senior Officer Remuneration</p> <p>Even though there are no significant changes in senior officers for 2023-24, remuneration paid to senior officers continues to be of high interest and is material by nature. Therefore, even low value errors in the disclosure could result a material misstatement.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • understand the movements in the senior management team during 2023-24; • ensure that remuneration disclosed is consistent with supporting evidence; and • ensure that amounts paid are consistent with those approved by the Authority.

Financial statements' audit timetable

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

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Detailed Audit Plan	May – June 2024	June 2024
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	July – October 2024	October 2024

Planned performance audit work

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

Exhibit 4: key dates for delivery of planned outputs

Thematic Review – Setting Wellbeing Objectives	A review of how the Authority has set its wellbeing objectives in line with the sustainable development principle	Autumn to Winter 2024
Local Government Measure 2009	Audit of improvement plan and performance report.	Improvement Plan – June 2024 Performance Report – November 2024

Statutory audit functions

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

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

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

Fee and audit team

In January 2024, we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4%, as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be £76,860.

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

Our financial audit fee is based on the following assumptions:

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

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) ¹	Fee for 2023 (£)
Audit of financial statements ²	59,432	55,857
Performance audit work ³	17,428	16,380 ⁴
Total fee	76,860	72,237

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2023 to October 2024.

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³ Payable April 2024 to March 2025.

⁴ Estimated as work is ongoing.

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

Exhibit 6: my local audit team

Name	Role	Contact details
Kate Havard	Audit Director (Financial Audit)	kate.havard@audit.wales
Gary Emery	Engagement Director/Audit Director (Performance Audit)	gary.emery@audit.wales
Carwyn Rees	Audit Manager	carwyn.rees@audit.wales
Kieran Vickery	Audit Lead (Financial Audit)	kieran.vickery@audit.wales
Charles Rigby	Audit Lead (Performance Audit)	charles.rigby@audit.wales

I can confirm that my team members are all independent of the Authority and your officers. In addition, we are not aware of any potential conflicts of interest that we need to bring to your attention.

Staff secondment

An Audit Wales apprentice was seconded to North Wales Fire & Rescue Authority for the period January to July 2024.

In order to safeguard against any potential threats to auditor independence and objectivity, the following restrictions apply in line with the FRC's Revised Ethical Standard 2024:

- the secondee will not undertake any management responsibilities; and
- the secondment will be for a maximum of 12 months.

This was a reciprocal arrangement, with a North Wales Fire & Rescue Authority apprentice seconded to Audit Wales for the same period. This secondee has not contributed to any audit work regarding the Authority.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

Our People



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

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

Arrangements for achieving audit quality



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

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

Independent assurance



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

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

P: * QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies, and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our Good Practice work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our newsletter which provides you with regular updates on our public service audit work, good practice, and events.
	our publications which cover our audit work completed at public bodies.
	information on our forward performance audit work programme 2023-2026 which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various data tools and infographics to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



Audit Wales

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Report to	Audit Committee
Date	17 June 2024
Lead Officer	Helen MacArthur ACFO Finance and Resources
Contact Officer	Angharad Ellis, MIAA
Subject	Internal Audit Annual Report 2023/24



PURPOSE OF REPORT

- 1 Under the terms of the Accounts and Audit (Wales) Regulations 2014 Part 3 5. (2), North Wales Fire and Rescue Authority (the Authority) is required annually to conduct a review of the effectiveness of its system of Internal Control. Internal Audit is an integral part of that system and is a significant contributor to the preparation of the Annual Governance Statement.
- 2 CIPFA's Public Sector Internal Audit Standards 2017 require the Head of Internal Audit to provide the Audit Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements.
- 3 The report analyses the work of the Internal Audit Service for 2023/24 and contains the assurance statement based on the work of Internal Audit during the year ended March 2024.

EXECUTIVE SUMMARY

- 4 The Head of Internal Audit is able to provide assurance to the Audit Committee, based on the internal audit work undertaken, together with our maintained knowledge of the organisation and its procedures, that the Authority has effective corporate governance, risk management and internal control arrangements to manage the achievement of the Authority's objectives.
- 5 The audit reviews provide a substantial level of assurance upon the adequacy of the systems of internal control in place, with 23 recommendations having been made in the year to address some weaknesses. A formal follow up process is in place to ensure that the recommendations are implemented within agreed timescales.

- 6 The work of Internal Audit has not identified any weaknesses that would qualify this opinion and there are no significant issues that are relevant to the preparation of the Annual Governance Statement.
- 7 The report also provides assurance that the Internal Audit Service operates in compliance with the UK Public Sector Internal Audit Standards to enable the Authority to take assurance from this opinion.

RECOMMENDATIONS

- 8 It is recommended that Members:
 - i) note the content of the Head of Audit and Procurement's Annual Report and the overall 'opinion' upon the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

BACKGROUND

The Role of Internal Audit

- 9 Under the terms of The Accounts and Audit (Wales) Regulations 2014, Fire Authorities have a statutory responsibility to maintain "an adequate and effective system of internal audit."
- 10 The role of Internal Audit Services is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the organisation's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
 - The Audit Committee and senior management are aware of the extent to which they can rely on the whole system; and
 - Individual managers are aware of how reliable the systems and controls for which they are responsible are.
- 11 The internal control system comprises the whole network of systems and controls established to manage the Authority, to ensure that its objectives are met. It includes financial and other controls and also arrangements for ensuring that the Authority is achieving value for money from its activities.
- 12 In accordance with the Public Sector Internal Audit Standards the Head of Audit is required to deliver an annual internal audit opinion and report that can be used by the Authority to inform its governance statement.

INFORMATION

Internal Audit Opinion 2023/24

- 13 The Regional Assurance Director is satisfied that the internal audit work undertaken, together with our maintained knowledge of the organisation and its procedures allows a reasonable conclusion to be made, as to the adequacy and effectiveness of the Authority's risk management, control and governance processes.
- 14 The opinion provided by the Regional Assurance Director is that there is a good system of internal control designed to meet the organisation's objectives and this is generally being applied consistently.
- 15 In giving an audit opinion, it should be noted that assurance can never be absolute although this provides reasonable assurance based upon the work undertaken in that year, that there are no major weaknesses that need to be brought to the attention of the Audit Committee.
- 16 The overall audit opinion may be used in the preparation of the Annual Governance Statement and the full report is included within Appendix A

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objective which is "To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk."
Budget	Internal Audit Services is provided by a suitably qualified external contractor and within the agreed budget
Legal	The report supports the Audit Committee discharge its legal responsibilities
Staffing	N/A
Equalities / Human Rights / Welsh Language	N/A
Risks	The Statement of Assurance is submitted in compliance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. Without such assurance from the internal auditor Members would be unaware of the adequacy and effectiveness of the corporate governance, risk management and internal control arrangements and its associated ability to achieve its objectives.

Internal Audit Annual Report & Head of Internal Audit Opinion 2023/24

North Wales Fire & Rescue Service

Contents

- 1 Executive Summary
- 2 Head of Internal Audit Opinion
- 3 Internal Audit Coverage and Outputs
- 4 Areas for consideration – your Annual Governance Statement
- 5 MIAA Quality of Service Indicators

1 Executive Summary

We are pleased to have provided your internal audit services for 2023/24. The highlights of the delivery of our services are summarised in this report.

This annual report provides your 2023/24 Head of Internal Audit Opinion, together with the planned internal audit coverage and outputs during 2023/24 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	<p>The overall opinion for the period 1st April 2023 to 31st March 2024 provides Substantial Assurance, that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.</p> <p>This opinion is provided in the context that North Wales Fire & Rescue Service like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems.</p> <p>In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.</p> <p>The purpose of our Head of Internal Audit (HoIA) Opinion is to contribute to the assurances available to the Accountable Officer and the Fire Authority which underpin their own assessment of the effectiveness of the system of internal control. As such, it is one component that the Accountable Officer takes into account in making its Annual Governance Statement (AGS).</p> <p>The opinion does not imply that we have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework.</p>
Planned Audit Coverage and Outputs	<p>The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:</p> <ul style="list-style-type: none">• The organisation’s assurance framework• Core and mandated reviews, including follow up; and• A range of individual risk-based assurance reviews.

Key Area	Summary
	<i>Please include the summary text in the table above when referring to the HoIA Opinion in your AGS.</i>
Recommendations / Management Actions	<ul style="list-style-type: none"> • We have raised 23 recommendations as part of the reviews undertaken during 2023/24. • Of these recommendations: 0 were critical and 1 were high risk recommendations in relation to the reviews of Cyber Organisational Controls. • During the course of the year, we have undertaken follow up reviews and can conclude that the organisation implemented 7 actions during 2023/24. • The total number of recommendations yet to be implemented as at end of March 2024 is 16, 1 of these is high risk and relate to the review of Cyber Organisational Controls. • Of the 16 actions yet to be implemented, none are overdue.
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA’s full compliance with the Public Sector Internal Audit Standards (PSIAS). We also undertake regular internal assessments to ensure our ongoing compliance with requirements. In year we completed our annual self-assessment of compliance with PSIAS and can continue to confirm full compliance with these standards.</p> <p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and we are one of only circa 20 NHS organisations certified to the Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>

2 Head of Internal Audit Opinion

Your internal audit service has been performed in accordance with MIAA's internal audit methodology which conforms with PSIAS. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

2.1 Roles and Responsibilities

The Fire Authority is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The AGS is an annual statement by the Accountable Officer on behalf of the Fire Authority, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's assurance framework should bring together all of the evidence required to support the AGS requirements.

In accordance with PSIAS, the HoIA is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

2.2 Opinion

Our opinion is set out as follows:

- Basis for the Opinion;
- Overall Opinion; and
- Commentary

2.2.1 Basis for the Opinion

The basis for forming our opinion is as follows:

1	An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
2	An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
3	An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

2.2.2 Overall Opinion

Our overall opinion for the period 1st April 2023 to 31st March 2024 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance , can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	✓
Moderate Assurance, can be given that 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 of the organisation’s objectives at risk.	
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	
No Assurance, can be given that 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 organisation’s objectives.	

2.2.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1st April 2023 to 31st March 2024 inclusive, and is underpinned by the work conducted through the risk-based internal audit plan.

Risk and Assurance Framework

Our work has consisted of reviewing core risk management controls to assess whether they have been adequately designed. This included an assessment of the risk management arrangements, and gained an insight into the escalation and assurances in place.

Core & Risk-Based Reviews Issued

We issued:

Zero high assurance opinions.		Zero limited assurance opinions.	
Two substantial assurance opinions:	Key Financial Transactional Processing Controls Review Payroll and Attendance Management	Zero no assurance opinions.	
One moderate assurance opinion:	Cyber Organisational Controls	Two reviews without an assurance rating:	Risk Management – Core Controls National Fraud Initiative

Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **good progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

Chris Harrop

Managing Director, MIAA
March 2024

Louise Cobain

Assurance Director, MIAA
March 2024

3 Internal Audit Coverage and Outputs

The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in three cases. Assurance rating were not applicable for two reviews, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised					
			Not Rated	Critical	High	Medium	Low	Total
1	Key Financial Transactional Processing Controls Review	Substantial	0	0	0	1	3	4
2	Payroll and Attendance Management	Substantial	0	0	0	4	3	7
3	Cyber Organisational Controls	Moderate	0	0	1	5	0	6
4	Risk Management Core Controls	N/A	6	0	0	0	0	6
5	National Fraud Initiative	N/A	0	0	0	0	0	0
		TOTAL	6	0	1	10	6	23

There were no high-risk recommendations overdue at the time of reporting.

We will continue to follow up progress against all recommendations as part of the 2024/25 Internal Audit Plan.

ADVISORY SUPPORT AND GUIDANCE: Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

We reviewed several policies and procedures including the Whistleblowing policy, Anti-Fraud & Corruption and Gifts & Hospitality from an Anti-Fraud perspective. A number of recommendations were made to strengthen the policies in place.

Attendance and support at the Budget Scrutiny meetings.

CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Assistant Chief Fire Officer/ Treasurer, Senior Management Team and Officers.

Involvement and relationship with the organisation (e.g. attendance at Budget Scrutiny meetings).

Continued involvement and representation on National Bodies including the Institute of Internal Auditors (IIA) and CIPFA enabling us to be proactive in sharing best practice, wider benchmarking and providing early insights on national issues.

4 Areas for Consideration – your AGS

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Accountable Officer on behalf of the Fire Authority when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Fire Authority reflects more widely on how these should be factored into the AGS. Areas for consideration include:

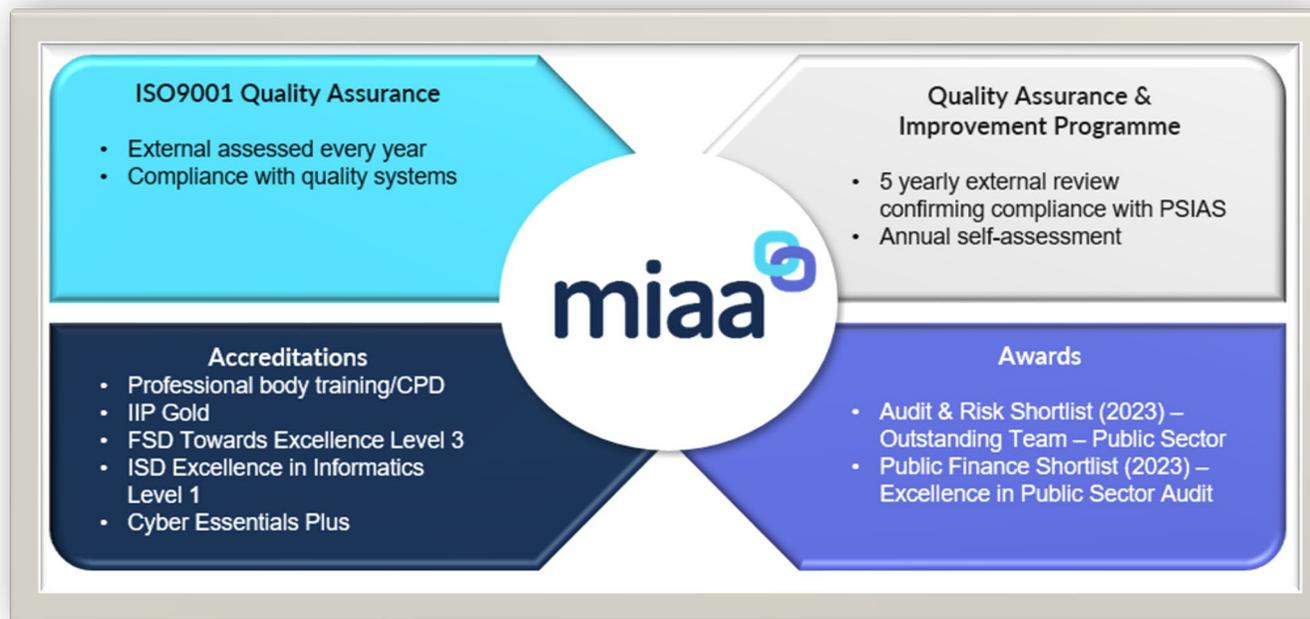
- Wider partnership/ collaborative working and engagement across the North Wales Footprint.
- Changes to governance, risk management and internal control arrangements (including the impact on decision making processes).
- Service leadership, including any significant changes to the Senior Management Team.
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these.
- Compliance with all relevant laws, standards, regulations and Fire and Rescue National Framework for Wales 2016.
- Inspections and feedback during 2023/24 including any actions taken to address any areas of development.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.

5 Ensuring Quality

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with PSIAS, the quality of our people and how we supporting them, staffing levels, compliance and outcome measures.

Professional Standards and Accreditations

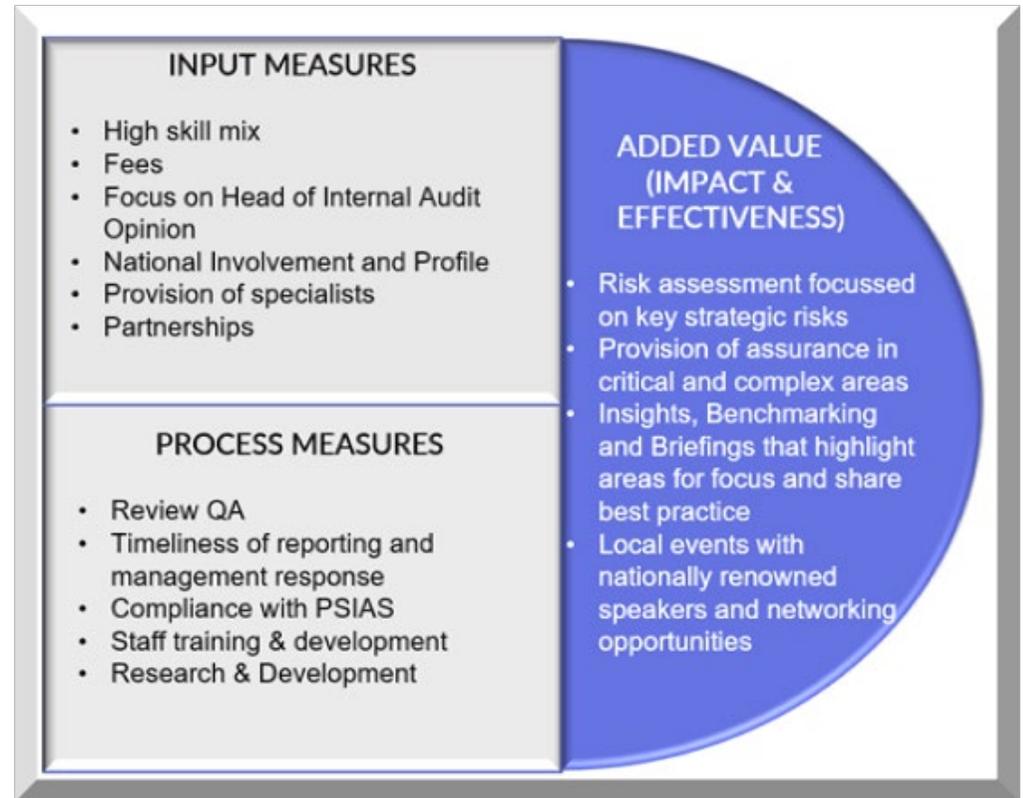
MIAA comply fully with professional best practice, internal audit standards and legal requirements.



Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The infographic on this page confirms the measures that we believe demonstrate an effective service to you.

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.



Anne-marie Harrop

Regional Assurance Director

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Angharad Ellis

Senior Audit Manager

Tel: 07469378328

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Report to	Audit Committee
Date	17 June 2024
Lead Officer	Helen MacArthur, Assistant Chief Fire Officer, Finance and Resources
Contact Officer	Angharad Ellis (MIAA)
Subject	Internal Audit Update



PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with an update of the work undertaken by North Wales Fire and Rescue Authority's (the Authority) internal audit providers, MIAA, for the 2023/24 financial year and for the period to 31 May 2024.

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 during the 2023/24 financial year against the agreed internal audit plan and progress to 31 May 2024.
- 4 During 2023/24, a total of 21 recommendations for improvement were agreed with management. Appendix 2 provides an update of the progress made in implementing these.

RECOMMENDATIONS

- 5 It is recommended that Members:
 - i) Note the work undertaken by MIAA during 2023/24; and
 - ii) Note the progress made in implementing the 21 agreed recommendations.

BACKGROUND

- 6 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.
- 7 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.
- 8 The Authority appointed MIAA as its internal auditor at the Audit Committee meeting of 18 June 2023. The Audit Plan was approved by the Audit Committee at its meeting of 18 September 2023.

INFORMATION

- 9 The report contained within Appendix 1 provides an overview of the work undertaken during 2023/24 and confirms that the agreed plan was fully delivered.
- 10 A total of 21 recommendations for improvement were made during the delivery of the audits. The report contained at Appendix 2 confirms that all recommendations reaching the agreed implementation date have been fully implemented.

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	The internal audit of core financial processes supports the effective identification and management of risks.

Internal Audit Progress Report Audit Committee (June 2024)

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 1st March 2024 to 31st May 2024.

3 Executive Summary

2023/24 Audit Reviews

As reported at the March 2024 Audit Committee, the 2023/24 Internal Audit Plan is complete.

2024/25 Audit Reviews

The following reviews are in progress:

- Procurement (Fieldwork)
- Attendance at Budget Scrutiny meetings (when required)

Follow Up

A summary of the current status of all follow-up activity is included as a separate report.

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. No changes have been made to the 2023/24 Internal Audit plan in year. No changes have been made to the 2024/25 audit plan so far.

Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

Added Value

Events

- [AI and the Public Sector: Use Cases and Guidance \(26th June 2024\)](#): The world of artificial intelligence (AI) is evolving at pace, sparking both excitement and apprehension within the public sector. It has the potential to make a significant difference to health and social care. Through its ability to analyse large quantities of complex information, AI presents opportunities to improve care and productivity in health and care settings. We're already seeing some great applications of AI, but more needs to be done to fully harness the benefits of these technologies so they can be used safely and ethically at scale.
- [Creating a Restorative, Just and Learning Culture \(19th July 2024\)](#): This session will help you understand how your teams/services/organisations can create cultures that foster learning when things don't go as expected. People will leave with an understanding of a just and learning culture alongside insights around implementation in their own organisations.

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 2023/24:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management Core Controls		Completed	N/A	March 2024
Key Financial Systems		Completed	Substantial	March 2024
National Fraud Initiative (NFI)	N/A	Completed	N/A	December 2023 / March 2024
Payroll & Attendance Management		Completed	Substantial	December 2023
IT – Cyber Organisational Controls		Completed	Moderate	March 2024
Follow Up				
Q1	N/A	Completed by Conwy Council Auditors	N/A	June 2023
Q4	N/A	Completed	N/A	June 2024
Contingency – Added Value Support & Guidance				
Policy and Procedure review	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.

The table summarises the delivery of your Head of Internal Audit Opinion for 2024/25:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management		Q4 delivery		March 2025
Whole Time Rostering/Duty System		Q2 delivery		December 2024
Key Financial Systems		Q3 delivery		March 2025
Procurement		Fieldwork		September 2024
Attendance at Budget Scrutiny meetings	N/A	As required		N/A
Follow Up				
Q1	N/A	Completed	N/A	June 2024
Q4	N/A	Q4 delivery		

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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Recommendations Follow Up Assignment Report 2024/25

North Wales Fire & Rescue Service

June 2024

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Appendix A: Assurance Definitions and Risk Classifications

Appendix B: 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

A key part of the work undertaken by MIAA as your internal auditors involves us making recommendations to improve and strengthen governance, risk management and controls to support the organisation in achieving its objectives. To verify that the benefits of the recommendations are achieved, it is necessary to subsequently follow up on implementation of agreed actions, in order to fully assess:

- Whether implementation has occurred or been superseded by further events; and
- Whether the actions have produced the intended effect.

Follow-up is, therefore, a vital aspect of the internal audit process and it is our policy, in accordance with the Internal Audit plan, to revisit previous assignments.

The table overleaf sets out the areas and recommendations which have been reviewed this time and the level of progress which has been made. Our review confirms that good progress has been made in implementing recommendations.

Audit Report	Total No. of Recs to be followed up	Implemented	Partial				Not Implemented				Superseded/ Not Accepted				Not Yet Followed Up				Comments	
			C	H	M	L	C	H	M	L	C	H	M	L	Not rated	C	H	M		L
2023/24																				
Payroll and Attendance Management	7	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	All recommendations have been implemented.
Key Financial Transactional Processing Control Review	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	All implementation due dates have not yet passed (July 2024). These recommendations will be followed as part of the Key Financial Systems review scheduled in Quarter 3 2024/25.
Risk Management - Core Control Review	6	-	-	-	-	-	-	-	-	-	-	-	-	6	-	-	-	-	-	All implementation due dates have not yet passed (end of September 2024 and end of March 2025). These recommendations will be followed as part of the Risk Management review scheduled in Quarter 4 2024/25.
Cyber Organisational Controls Review	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5	-	-	All implementation due dates have not yet passed (end of Quarter 3 2024/25). These recommendations will be followed up in Quarter 4 2024/25.
TOTAL	21	7	-	-	-	-	-	-	-	-	-	-	-	6	-	1	6	1		

Appendix A: 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.
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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.
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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 B: Report Distribution

Name	Title
Audit Committee	

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Limitations

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.

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	17 June 2024	
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer	
Contact Officer	Helen Howard – Head of Finance and Procurement	
Subject	Treasury Management Outturn Report 2023/24	

PURPOSE OF REPORT

- 1 The purpose of this report is to provide Members with an update on the treasury management activity and compliance with the treasury management prudential indicators for the period 1 April 2023 – 31 March 2024.

EXECUTIVE SUMMARY

- 2 In December 2003 the North Wales Fire and Rescue Authority (the Authority) adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority (or the Audit Committee with delegated authority) to approve, as a minimum, treasury management semi-annual and annual outturn reports. In 2021, 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.
- 3 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 potential loss of invested funds (cash deposits) 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.
- 4 During the twelve-month period between 1 April 2023 and 31 March 2024, the Authority's borrowing and investments remained well within the limits originally set, with no new borrowings being undertaken. There were no new defaults by banks in which the Authority deposited money. Furthermore, the Authority's actual investment income was higher than the expected income in the 2023/24 budget.

RECOMMENDATION

- 5 It is recommended that Members:
 - i) approve the treasury management activities and prudential indicators for the period 1 April 2023 – 31 March 2024.

EXTERNAL CONTEXT

- 6 UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.2% in March (and 2.3% in April), but was still above the Bank of England's 2% target at the end of the period (Q1 2024). The core measure of CPI, i.e. excluding food and energy, also slowed in March to 4.2% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.
- 7 The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 8 Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. The Bank Rate was maintained at 5.25% through to March 2024. Although financial markets shifted their interest rate expectations downwards with expectations of a cut later in 2024, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.
- 9 Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.
- 10 In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

LOCAL CONTEXT

- 11 On 31 March 2024, the Authority had net borrowing of £17.78m arising from capital expenditure.
- 12 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. Further, the Authority's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.23 Actual £m	31.03.24 Actual £m
General Fund CFR	28.88	27.94
External borrowing	-26.65	-17.78
Internal borrowing	2.23	10.16
Less: Balance sheet resources	-6.40	-13.12
Less: New Investments	4.17	2.96
New borrowing	0.00	0.00

- 13 Table 1 confirms that the Authority's net borrowings were below the Capital Financing Requirement (CFR).
- 14 The treasury management position at 31 March 2024 and the change over the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.23 Balance £m	Movement £m	31.03.24 Balance £m	31.03.24 Rate %
Long-term borrowing (PWLB)	17.79	-3.72	14.07	1.00 - 4.90
Short-term borrowing	8.86	-5.15	3.71	1.30 - 3.91
Total borrowing	26.65	-8.87	17.78	
Short-term investments	0.00	-1.48	-1.48	5.19 - 5.38
Cash and cash equivalents	-4.17	2.69	-1.48	4.65 - 5.14
Total investments	-4.17	1.21	-2.96	
Net borrowing	22.48	-7.66	14.82	

BORROWING

- 15 CIPFA's 2021 Prudential Code outlines that local authorities (including Fire and Rescue 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.
- 16 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

- 17 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.
- 18 Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.
- 19 On 31 December 2023, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 20 The cost of short term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.
- 21 At 31 March 2024, the Authority held £17.78m of loans, a decrease of £8.67m on 31 March 2023, reflecting the strategy for funding the previous and current years' capital programmes. The significant in year reduction was due to timing differences, in relation to income owed as at 31 March 2023 and delays in expenditure during 2023/24. Outstanding loans, on 31 March 2024 are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.03.23 Balance £m	Net Movement £m	31.03.24 Balance £m	31.03.24 Weighted Average Rate %	31.03.24 Weighted Average Maturity (years)
Public Works Loan Board	20.65	-2.86	17.78	2.46	5.77
Local authorities (short-term)	6.00	-6.00	0.00	0.00	0.00
Total borrowing	26.65	-8.86	17.78		

- 22 The Authority replaced its short-term borrowings in 2023/24 and as at 31 March 2024 no longer held short term loans.

Table 3B: Long-dated Loans borrowed

	Amount	Rate	Period Remaining
	£m	%	(Years)
PWLB Maturity Loan	2.00	4.80	29
PWLB EIP Loan	0.67	3.09	14
PWLB EIP Loan	4.72	3.91	17
Loans over 5 years	7.39		

- 23 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.
- 24 During 2023/24, two short-term market loans totalling £6m were repaid. £3m was replaced with a long term PWLB loan, which was taken out in 2022/23, following advice from Arlingclose, our treasury management advisors, and undertaken when interest rates were favourable and £3m was funded from internal borrowing, due to the delay in the land purchase for the proposed training centre, thus delaying the need to borrow until the land purchase is complete.

TREASURY INVESTMENT ACTIVITY

- 25 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority'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.
- 26 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 £1.48m and £14.62m due to timing differences between income and expenditure. The majority of the balance, at year end, relates to the income received in relation to the Firefighters Pension Fund, which has not been spent at year end. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.03.23	Net Movement	31.03.24	31.03.24	31.03.24
	Balance		Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	days
Banks	4.17	-2.69	1.48	4.65 - 5.14	on call
DMADF	0.00	1.48	1.48	5.19	7
Total investments	4.17	-1.21	2.96		

- 27 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.
- 28 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. This includes using the UK Treasury's Debt Management Account Deposit Facility (DMADF, also known as 'the DMO').
- 29 The bank rate increased by 1%, from 4.25% at the beginning of April 2023, to 5.25% by the end of March 2024. Returns on DMADF deposits also rose, ranging between 5.17% and 5.29% interest by the end of March, and Money Market Rates ranged between 4.65% and 5.38%.

TREASURY PERFORMANCE

- 30 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

	Budget £m	Actual £m	Over/ under	Actual %	Benchmark %	Over/ under
PWLB interest	0.83	0.57	- 0.26	68.31%	5.00	under
Market Loans interest	0.30	0.13	- 0.17	43.33%	4.50	under
Minimum Revenue Provision	2.00	1.90	- 0.10	95.00%		
Total Borrowing	3.23	2.59	- 0.64	82.97%		
Short-term investments	0.00	- 0.43	- 0.43		5.00	over
Total treasury Investments	0.00	- 0.43	- 0.43			

COMPLIANCE

- 31 All treasury management activities undertaken during the year complied with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy.
- 32 Compliance with specific investment limits is demonstrated in Table 6 below.

Table 6: Investment Limits

Institution	Description	Limit	31.12.23 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	£1.48m	yes
Central Government	Debt Management Office (DMO)	Unlimited	£1.48m	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

- 33 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in Table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	31.12.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	17.78	28.99	30.99	Yes
Total debt	17.78	28.99	30.99	

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

TREASURY MANAGEMENT INDICATORS

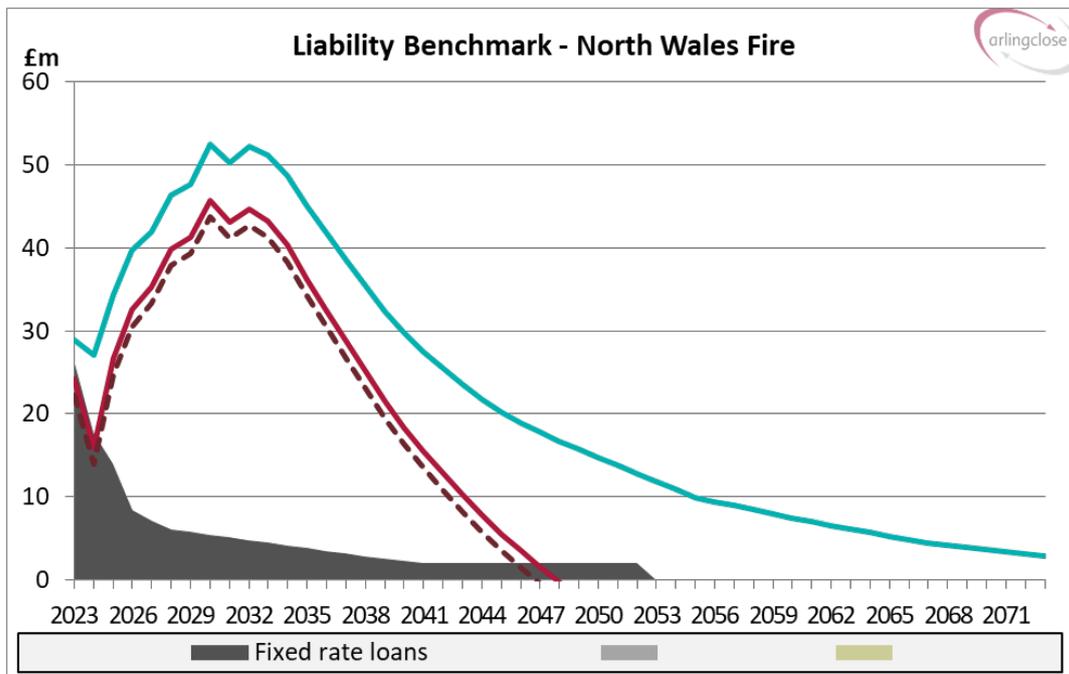
- 35 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

- 36 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.
- 37 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.

	31.03.23 Actual £m	31.03.24 Actual £m	31.03.25 Forecast £m	31.03.26 Forecast £m
Loans CFR	28.88	27.94	34.40	39.70
Less: Balance sheet resources	-6.60	-13.12	-9.60	-9.10
Net loans requirement	22.28	14.82	24.80	30.60
Plus: Liquidity allowance	2.00	2.00	2.00	2.00
Liability benchmark	24.28	16.82	26.80	32.60
Existing borrowing	-26.65	-17.78	-14.10	-10.50

- 38 The above forecast does not include any costs for the proposed training centre, as it is yet to be agreed by the Authority.
- 39 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.



- 40 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.
- 41 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

- 42 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:

	31.03.24 Actual	Actual Limit	Upper Limit	Lower Limit	Complied Y/N
Under 12 months	2.20	12.42%	60.00%	0.00%	Y
12 months and within 24 months	4.49	25.24%	45.00%	0.00%	Y
24 months and within 5 years	3.70	20.80%	45.00%	0.00%	Y
5 years and within 10 years	0.00	0.00%	75.00%	0.00%	Y
10 years and above	7.39	41.54%	100.00%	0.00%	Y

- 43 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

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

IMPLICATIONS

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