

Report to	Audit Committee
Date	10 September 2018
Lead Officer	Ken Finch, Treasurer to the Authority
Contact Officer	Sandra Forrest
Subject	Statement of Accounts 2017/18



PURPOSE OF REPORT

- 1 This report is to present to members the audited statement of accounts for 2017/18 including the governance statement, both of which have been subject to audit by the Wales Audit Office (WAO). This report also presents the findings of the Auditor General for Wales as set out in his report.
- 2 The Audit Committee has been tasked with ensuring effective scrutiny of finance reports and, based on its findings, make recommendations to the Fire and Rescue Authority.

EXECUTIVE SUMMARY

- 3 The draft accounts and governance statement were submitted for audit on 1 June 2018. These confirmed the draft out-turn position of net expenditure of £33.329m, resulting in a contribution from reserves of £93,083. The final audited position remains unchanged.
- 4 In compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2010, it is a requirement that the audited accounts are approved by Members by 30 September.

RECOMMENDATIONS

- 5 Members are asked to:
 - (i) note the statement of accounts and annual governance statement for 2017-18 which are included in appendix 1;
 - (ii) note the report produced by the Auditor General for Wales which is included in appendix 2;
 - (iii) note the management responses to issues raised by the Auditor General; and
 - (iv) recommend approval of the audited accounts and governance statement for 2017/18 by the Fire and Rescue Authority.

BACKGROUND

- 6 In compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2010, the Authority has produced a statement of accounts and governance statement which has been subject to external audit.

INFORMATION

Financial performance

- 7 Members were presented with a financial performance report for 2017-18 at the Fire and Rescue Authority meeting on 18 June 2018. This confirmed the draft out-turn position of net expenditure of £33.329m, resulting in an in year contribution from general reserves of £93,083. The final audited position remains unchanged.

Reserves

- 8 The statement of accounts contains a general reserve of £2,057,000 and earmarked reserves of £639,000. Earmarked reserves are being held to mitigate the costs associated with potential reductions in grant funding, costs associated with fireground radio replacement and risks associated movements in interest rates.

Audit Findings

- 9 The Auditor General for Wales proposes to issue an unqualified audit opinion which means that the accounts present a true and fair view of the financial transactions of the Authority. The following issues are noted:
- The audit identified a number of amendments which were agreed with management. The amendments did not impact on the Authority's reported position and included a number of adjustments necessary to fully comply with the Code of Practice on Local Authority Accounting.
 - The audit identified two further items which remain uncorrected. These include a miscoding of income of £27,000 and the accrual of capital expenditure in relation to work which spanned the year end. These items will be fully and properly accounted for within 2018/19. Management assurance has been provided that these have been fully considered and are not material to the opinion.
 - The audit also considered the Authority's implementation of the Firefighters' Pension (Wales) Scheme (Amendment) Order 2014. The Order included an amendment to the pension regulations which introduced new powers for the Authority to make certain temporary

allowances and emoluments pensionable under an Additional Pension Benefit (APB) arrangement. During November 2017 it became apparent that Welsh Fire and Rescue Authorities had not implemented the Order and temporary allowances had been treated in accordance with previous regulations.

- On 19 March 2018 the Fire and Rescue Authority approved a report to implement the requirements of the Order with an effective date to be agreed with representative bodies. This was subsequently agreed as 1 July 2018.
- As a consequence of the delays in implementing the Order a small number of retirees have received pension settlements which are not in accordance with the relevant regulations. Whilst the Auditor General is satisfied that the amounts are not material and intends to issue an unqualified opinion this issue has been highlighted within his report. Work is currently in progress within the Authority to address any residual issues around the legality and funding of these payments and to agree any remedial actions necessary.
- The Auditor General has made six recommendations within his report and management responses have been provided to support ongoing improvement for future years.

IMPLICATIONS

Well-being Objectives	This report links to the NWFRA's long-term well-being objectives. It reports on the financial viability of the Authority.
Budget	The audited statement of accounts contains the actual income and expenditure against budget and confirms the audit opinion on whether it provides a true and fair view of the Authority's financial performance and position.
Legal	The regulatory framework for the production of the accounts is provided within Page 1 of the Statement of Accounts. The report of the Auditor General for Wales makes reference to irregular expenditure and further action is being taken to address concerns raised.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	If the accounts are not prepared in accordance with the code of practice there is a possibility that the accounts will not provide a true and fair view.