

**Due to the current heightened security level in all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.**

## **SOUTH WALES FIRE & RESCUE AUTHORITY**

**COMMITTEE:** Finance, Audit & Performance Management Committee

**DATE:** Monday, 3 April 2017 at 10:30 hours

**VENUE:** South Wales Fire & Rescue Service Headquarters,  
**Room 8**, Forest View Business Park, Llantrisant  
CF72 8LX

### **AGENDA**

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to both verbally and in writing declare any personal and/or prejudicial interests in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements
4. To Receive the Minutes of: 5
  - FAPM Meeting held on 5 December 2016
  - Finance Asset & Performance Management Working Group held on 3 October 2016
5. Business Fire Safety Presentation 17
6. Wales Audit Office Annual Audit Letter 27  
2015/2016
7. Treasury Management Strategy 2017/18 49

8.	Revenue Monitoring Report 2016/2017	79
9.	Capital Monitoring Report 2016/2017	87
10.	WAO Audit Plan 2017	95
11.	Internal Auditors Annual Report Year ending 31 March 2017	119
12.	Internal Audit Progress Report 2016/2017	125
13.	Internal Audit Annual Plan 2017/2018	195
14.	Report on progress of Audit, Scheme and Circular Action updates as at 3 April 2017	213
15.	Scrutiny of Strategic Objectives	229
16.	Corporate Risk Register 2016/17 – Quarter 3 Review	243
17.	Fuel Management Report	259
18.	NATO Financial Report	267
19.	Forward Work Programme	271
20.	To consider any items of business that the Chairman deems urgent (Part 1 or 2)	277

**At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress**

Signature of Proper Officer:



## MEMBERSHIP

### Councillors:

E	Galsworthy	Merthyr Tydfil
K	Critchley	Newport
M	Powell	Monmouthshire
C	Hawker	Caerphilly
B	Morgan	Rhondda Cynon Taff
A	Jones	Torfaen
J	Morgan	Blaenau Gwent
D	Ali	Cardiff
P	Drake	Vale of Glamorgan
C	Smith	Bridgend



**SOUTH WALES FIRE & RESCUE AUTHORITY**

**MINUTES OF THE FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE MEETING  
HELD ON MONDAY, 5 DECEMBER 2016 AT  
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS**

**32. PRESENT:**

<b>Councillor</b>	<b>Left</b>	
J Morgan (Chair)	1105 hrs	Blaenau Gwent
B Morgan (Deputy Chair)		Rhondda Cynon Taf
P Drake		Vale of Glamorgan
E Galsworthy (arrived at 1005 hrs)		Merthyr Tydfil
A Jones		Torfaen
M Powell		Monmouthshire

**APOLOGIES:**

D Ali	Cardiff
K Critchley	Newport
C Hawker	Caerphilly
C Smith	Bridgend

**OFFICERS PRESENT:** DCO S Chapman – Monitoring Officer; Mr C Barton – Treasurer; Mr C Powell – Deputy Monitoring Officer; Mr G Thomas – Head of Finance & Procurement; Mrs Lisa Mullan – Senior Accountant; Ms Vicky Davies – TIAA; Mr Mark Jones – Wales Audit Office. ACFO R Prendergast – Director of Technical Services, and AM Ian Greenman – Head of Training & Development, arrived at 1105 hrs.

**33. DECLARATIONS OF INTEREST**

All Members declared a personal non-prejudicial interest in each agenda item that affected their Authority.

**34. CHAIR'S ANNOUNCEMENTS**

There were no announcements.

**35. MINUTES OF PREVIOUS MEETINGS**

The following minutes were received and accepted as a true record of proceedings:

- Finance, Asset & Performance Management Working Group held on 4 July 2016.
- Finance, Audit & Performance Management Committee held on 12 September 2016.

### **36. STATEMENT OF ACCOUNTS 2015/16**

The Treasurer informed Members that due to an administrative issue in processing the agenda for today's meeting, the Statement of Accounts for 2015/16 was omitted from the papers. A copy of the Statement of Accounts was tabled for Members' information but the Treasurer felt it was unreasonable to expect Members to consider and give scrutiny to the document and therefore requested that the Chair consider deferring the process of approval of the Statement of Accounts to the Fire & Rescue Authority on 19 December 2016.

Following discussion, the Chair and Members concurred with the proposed course of action to enable Members to fully scrutinise the contents of the Statement. The Chair also relayed apologies to the Wales Audit Office representative who was in attendance to provide his opinion on the financial statements.

#### **RESOLVED THAT**

- 36.1 Members agreed to defer this item to the meeting of the Fire & Rescue Authority to be held on 19 December 2016.

### **37. REVENUE BUDGET ESTIMATE 2017/18**

The Treasurer informed Members of the progress made towards the revenue budget approval for 2017/18, and set out the proposed budget which has been consulted on with the ten constituent authorities. He advised Members that one consultation response had been received to date from the City of Cardiff Council, and distributed a copy of the letter for Members to digest. The Treasurer further reported that any further representations received prior to the Fire & Rescue Authority meeting on 19 December 2016 will receive consideration.

The Chair advised that a consultation response from Blaenau Gwent CBC is currently en route to the Treasurer.

Following discussion of the report content and the changing population data which is used to determine the level of funding provided to councils in the Welsh Government settlement, the Deputy Chair proposed that the resultant contributions be demonstrated as a per head of population comparison.

## **RESOLVED THAT**

- 37.1 Members agreed to recommend to the Fire & Rescue Authority an estimate of net expenses of £70,206,186 for the financial year 2017/18.
- 37.2 Following a request by Members, the Treasurer agreed to demonstrate the comparison of contributions by per head of population figures.

## **38. APPRENTICESHIP LEVY**

The Head of Training & Development introduced Samantha Huckle, Welsh Government's Head of Apprenticeships, who was invited to the meeting to provide Members with an overview of the Apprenticeship Levy. She explained that the Apprenticeship Levy is in essence a UK Government employment tax which comes into force in April 2017. All employers with a wage bill of over £3 million per annum will be required to pay this tax of 0.5% of their wage.

South Wales Fire & Rescue Service can anticipate levy charges in the region of £225,000, which will be paid directly to the HMRC, and it was noted that:

- the Service will be unable to gain access to funding for recruitment and training of firefighters.
- the only area where Apprenticeships fall within Welsh Government's priorities for the Service's uniformed staff are that of leadership and management qualifications.
- opportunities can be explored for supervisory, middle and senior managers; and opportunities did exist for specialist support skills such as ICT, accountancy, law, data analysts, technicians and information specialists.
- the Service will be required to submit to Welsh Government, a Strategic Plan of requirements.

A question and answer session ensued and the details and barriers to providing Apprenticeships in the areas noted above were discussed.

## **RESOLVED THAT**

- 38.1 Members noted the presentation.
- 38.2 Officers agreed to consider the requirements and priorities of the Strategic Plan for submission to Welsh Government.

### **39. TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2016/17**

The Treasurer informed Members of the Treasury Management Mid-Term Review which provides an update on the Authority's treasury activities for the period 1 April-30 September 2016.

#### **RESOLVED THAT**

Members accepted the report and agreed to recommend that the Fire & Rescue Authority note the treasury activity for the above period and approve the change to the investment.

### **40. REVENUE MONITORING REPORT 2016/17**

The Head of Finance & Procurement presented Members with the Revenue Monitoring report which provides detail of the annual revenue budget and associated information for the year ending 31 March 2017.

#### **RESOLVED THAT**

Members noted the report content and approved the virement.

### **41. CAPITAL MONITORING REPORT 2016/17**

The Head of Finance & Procurement presented Members with the Capital Monitoring report which provides detail of the total capital budget for the year, expenditure to date and a forecast outturn position.

#### **RESOLVED THAT**

Members noted the progress of the capital schemes, approved the alterations identified in Appendix 1 and noted the associated funding streams.

### **42. CORPORATE RISK REGISTER 2016/16 – QUARTER 2 REVIEW**

The Deputy Chief Officer presented the Quarter 2 Review for Members to consider the risks within the Corporate Risk Register and the management of these risks.

#### **RESOLVED THAT**

Members agreed the validity of the significant and material risks contained within the Strategic Corporate Risk Register.



#### **43. REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION UPDATES AS AT 5 DECEMBER 2016**

The Deputy Chief Officer provided Members with an update on the latest progress recorded against actions arising from internal audits, Wales Audit Office thematic reviews, Operational Assurance peer reviews, corporate schemes and Government circulars. Graphical summaries showing all actions ongoing, overdue and completed since 2 July 2012 were also provided for each type of action.

#### **RESOLVED THAT**

43.1 Members noted the content of the progress report and the graphical summaries.

#### **44. SCRUTINY OF DWELLING FIRES WHERE NO SMOKE ALARM WAS FITTED OR ACTUATED**

The Head of Operations presented Members with a scrutiny report of the number of dwelling fires where no smoke alarm was fitted or actuated in South Wales.

#### **RESOLVED THAT**

Members agreed to continue to monitor the number of dwelling fires where no smoke alarm is fitted, as reported within the Fire & Rescue Authority Performance Management reports.

***The Chair, Cllr J Morgan, left the meeting at 1105 hrs. Cllr B Morgan took the Chair.***

#### **45. FIRE AID PRESENTATION**

The ACFO Technical Services introduced Cameron Black, Steering Committee member of Fire Aid, who was invited to the meeting to provide Members with an overview of the association. He presented Members with the work of Fire Aid which is an association of UK charities and services with a mutual interest in providing ethical and sustainable donations of fire and rescue aid and training to those in need of such assistance. Formed in 2012 and chaired by Jim Fitzpatrick MP, Fire Aid has successfully and responsibly donated redundant UK equipment, training and expertise to improve emergency response in over 30 countries, whilst maintaining an equipment database for donating organisations to track equipment.

**RESOLVED THAT**

Members noted the content of the presentation.

**46. INTERNAL AUDIT REPORT**

The TIAA Auditor provided Members with an update on the progress being made against the Internal Audit Plan 2016/17.

**RESOLVED THAT**

Members noted the internal audit recommendations and the work completed to date on the Internal Audit Annual Plan.

**47. FORWARD WORK PROGRAMME**

The Deputy Chief Officer presented the Committee's Forward Work Programme. She asked Members to note that the meeting of the Committee scheduled for 23 January 2017 is subject to the outcome of budget discussions and confirmation at the Fire & Rescue Authority meeting on 19 December 2016.

The Wales Audit Officer requested the inclusion of Audit Plan for Financial Accounts in the Forward Work Programme for 3 April 2017.

**RESOLVED THAT**

Members accepted the Forward Work Programme.

## SOUTH WALES FIRE & RESCUE AUTHORITY

### MINUTES OF THE FINANCE, ASSET & PERFORMANCE MANAGEMENT WORKING GROUP MEETING HELD ON MONDAY, 3 OCTOBER 2016 AT SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

#### 11. PRESENT:

Councillor	Left
J Morgan (Chair)	Blaenau Gwent
D Ali	Cardiff
K Critchley	Newport
P Drake	Vale of Glamorgan
E Galsworthy	Merthyr Tydfil
C Hawker	Caerphilly
C James	Bridgend
A Jones	Torfaen
B Morgan	Rhondda Cynon Taff
S Pickering	Rhondda Cynon Taff
M Powell	Monmouthshire
V Smith	Monmouthshire

#### APOLOGIES:

E Hacker	Vale of Glamorgan
C Smith	Bridgend

**OFFICERS PRESENT:** DCO S Chapman – Monitoring Officer; ACFO R Prendergast – Director of Technical Services, Mr C Barton – Treasurer; Mr G Thomas – Head of Finance & Procurement, AM I Greenman, Head of Training & Development, Mr I Williams – Temporary Head of Fleet and Engineering Services, Mr N Corrigan – Property Strategy Manager, Mr A Humphreys – Building Facilities Manager, WM M Samuel – Training & Development

#### 12. DECLARATIONS OF INTEREST

All Members declared a personal non-prejudicial interest in each agenda item which affected their Authority. Councillor D Ali declared a personal interest in agenda item 5.

### **13. CHAIR'S ANNOUNCEMENTS**

The Chair, with Members' agreement, altered the order of the agenda, to allow officers to attend another meeting.

### **14. MINUTES OF PREVIOUS MEETING**

The minutes of the Finance, Asset & Performance Management Working Group held on Monday, 4 July 2016 were received and accepted as a true record of proceedings.

In relation to Item 10 Project Group Lead Officers, Councillor V Smith advised that to date, briefing meetings at the end of each Fire & Rescue Authority meeting had not taken place. DCO Chapman to chase this up.

### **15. END OF LIFE VEHICLE DISPOSALS**

The Director of Technical Services provided Members with options for the disposal of fire appliances following the decision by the Fire & Rescue Authority in March 2016 to consider the donation of 'End of Life' appliances by charitable means.

#### **RESOLVED THAT**

- 15.1 Members were mindful that when considering the donation of appliances that they will be put to their intended use, providing a means of saving life and protecting the communities of poorer countries.
- 15.2 Members were agreeable that Option 2 would ensure that end of life appliances are donated to a number of poorer countries around the world via an established organisation that is recognised by CFOA and already supported by a number of UK Fire & Rescue Services.
- 15.3 Members noted that to join the Steering Committee would also provide the means for South Wales to influence the countries supported by FIRE AID which would result in continued support for Serbia and the ability to donate our appliances to Bangladesh more quickly by utilising the infrastructure already put in place by FIRE AID.
- 15.4 Members requested that a representative from FIRE AID be invited to a future meeting of the Fire & Rescue Authority to provide a presentation.

## **16. REVIEW OF FLEET AND VEHICLES STRATEGY, BUDGET AND PLANNING ASSUMPTIONS & PROGRESS AGAINST THE PLAN TO INCLUDE CAPITAL**

The Temporary Head of Fleet and Engineering Services provided Members with an update on the presentation provided to the Asset Management Group on the Fleet Asset Management Plan 2014 to 2017.

### **RESOLVED THAT**

Members noted the content of the report in support of the Fleet Asset Management Plan 2014/17.

## **17. ALTERNATIVE VEHICLE FUELS**

The Temporary Head of Fleet and Engineering Services provided Members with an overview of alternative fuels as available for light vehicles as per 2016 outlining the claimed benefits and potential disadvantages presented by this technology.

### **RESOLVED THAT**

Until the alternative fuels and hybrid market stabilises and the direction of the industry becomes clearer, Members agreed to the continuation of utilising conventionally fuelled vehicles with the confidence that emissions and mpg figures are improving steadily and resale values remain consistent.

## **18. REVIEW OF PROPERTY STRATEGY, BUDGET AND PLANNING ASSUMPTIONS & PROGRESS AGAINST THE PLAN AND CONSIDERATION OF SUSTAINABILITY AND ENVIRONMENTAL ISSUES**

The Property Strategy Manager delivered an electronic presentation on the Review of Property Strategy, Budget and Planning Assumptions & Progress against the Plan and consideration of Sustainability and Environmental Issues.

### **RESOLVED THAT**

Members noted the presentation.

## **19. REVENUE AND CAPITAL BUDGET SETTING 2016/17**

The Treasurer delivered an electronic presentation updating Members upon the Revenue & Capital Budget Setting 2016/17.

**RESOLVED THAT**

Members noted the presentation

**20. REVIEW OF RESERVE STRATEGY**

The Treasurer delivered an electronic presentation updating Members upon the Review of Reserve Strategy.

**RESOLVED THAT**

Members noted the presentation.

**21. STRATEGIC PLAN 2016/17 REPORT CARD**

The Deputy Chief Officer presented the Strategic Plan 2016/17 Report Card.

**RESOLVED THAT**

Members reviewed and accepted the Strategic Plan 2016/17 Report Card.

**22. THE APPRENTICESHIP LEVY**

The Head of Training & Development provided Members with an outline of the main implications of the planned introduction of the Apprenticeship Levy in April 2017.

**RESOLVED THAT**

22.1 Members agreed that research needs to be undertaken into the future role of apprenticeship qualifications within the Service. Consideration needs to be given in relation to whether these qualifications will add value to the Service and the extent to which apprenticeship funding will offset the charges incurred with the introduction of the levy.

22.2 Members requested a further report to be presented in due course and noted that a representative from Welsh Government has been requested to attend a meeting of the FAPM Committee. An invite will also be extended to the Members of the Working Group to that meeting.

**23. POTENTIAL COSTS FOR A COMPARTMENT FIRE BEHAVIOUR TRAINING BUILDING AT CARDIFF GATE TRAINING & DEVELOPMENT CENTRE**

The Watch Manager Training & Development delivered an electronic presentation providing Members with an overview of potential costs for a

Compartment Fire Behaviour Training Building at Cardiff Gate Training & Development Centre.

**RESOLVED THAT**

Members noted the presentation.

**24. FORWARD WORK PROGRAMME**

The Deputy Chief Officer presented the Working Group's Forward Work Programme.

**RESOLVED THAT**

Members accepted the Forward Work Programme for the Finance, Asset & Performance Management Working Group.





AGENDA ITEM NO 10

**Business Fire Safety Presentation**

Group Manager Steve Rossiter





**Business Fire Safety**

What we do

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Background

Fire safety legislation “The Regulatory Fire Safety Order (2005)”

Applies to all building other than single private dwelling.

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Our Purpose

“To assist our Business Community to comply with legislation through Engagement, Education and Regulation”.

CODI YMWYBYDDIAETH · LLEIHAU PERYGL | RAISING AWARENESS · REDUCING RISK

## Our Vision

Safer Businesses, Safer Communities, Safer Wales

CODI YMWYBYDDIAETH · LLEIHAU PERYGL | RAISING AWARENESS · REDUCING RISK

## Our Strap-line

Supporting you to protect your  
business

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## How do we do this?

Proactively via a Risk Based  
Inspection Programme

Using data and intelligence to  
proactively educate, engage and  
enforce the fire safety legislation

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Developing New MIS

- Risk Based Inspection Programme
- Outdated information - 2006
- Based on wider IRM and fires
- Third party information – food standards, CSSIW
- Inspection based on fire safety management - health care and UwFS

CODI YMWYBYDDIAETH - LLEIHOU PERYGL | RAISING AWARENESS - REDUCING RISK

## Second approach

**Reactively** following up on fires, complaints, queries and Unwanted Fire Signals, also we are a Consultee under other legislation.



CODI YMWYBYDDIAETH - LLEIHOU PERYGL | RAISING AWARENESS - REDUCING RISK



## Technical and Specialist Role

- Level 4 Diploma qualification
- Engineering qualifications
- Health and Care
- Compliance and Enforcement

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Devastating damage



CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Significant fire spread



CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Basement (missed)



CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK



## Automatic Fire Alarm suitability



CODI YMWYBYDDIAETH - LLEIHOU PERYGL | RAISING AWARENESS - REDUCING RISK

## Means of escape (missed)



CODI YMWYBYDDIAETH - LLEIHOU PERYGL | RAISING AWARENESS - REDUCING RISK

## Court Hearing

- Found guilty of 13 offences
- 6 months prison sentence (suspended)
- 180 hours community work

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

## Performance 2015/16

- 1,507 audits
- 233 Satisfactory
- 1,204 Informal notification of deficiencies
- 65 Enforcement notices
- 5 Prohibition notices

CODI YMWYBYDDIAETH - LLEIHAU PERYGL | RAISING AWARENESS - REDUCING RISK

**SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 6  
3 APRIL 2017

## REPORT OF THE DEPUTY CHIEF OFFICER &amp; TREASURER

**WALES AUDIT OFFICE ANNUAL AUDIT LETTER 2015/16****SUMMARY**

This report summarises the Wales Audit Office Annual Audit Letter 2015/16 and concludes that the Authority has complied with its responsibilities relating to financial reporting and use of resources and that the Auditor General is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

**RECOMMENDATIONS**

That Members accept the Wales Audit Office Annual Audit Letter 2015/16 for the Authority.

**1. BACKGROUND**

1.1 As Members will be aware under the Public Audit (Wales) Act 2004 and the Code of Audit Practice, the Auditor General must report each year on how the Authority has complied with its responsibilities relating to financial reporting and use of resources, and whether he is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

**2. THE ANNUAL AUDIT LETTER**

2.1 The Annual Audit Letter (attached at Appendix 1) provides an assessment of the Wales Audit Office work and conclusions on a wide variety of issues that they have reviewed as a result of this process. The letter itself is very brief, and is largely based upon the content of the Statement of Accounts and Audit of Financial Statements report that Members considered in detail at their December Fire & Rescue Authority meeting.

2.2 This report is not intended to repeat all of the conclusions of the ISA 260 report or the Annual Audit Letter. The Letter highlights that the new audit team found a number of accounting and audit issues that required additional work for 2015/16.

2.3 The Auditor General confirms that he provided an unqualified audit opinion on the Authority's 2015/16 financial statements, confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. Furthermore, the Auditor

General concludes the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- 2.4 Within the Annual Audit Letter this year, the Auditor General does raise the issue of an increased fee for this year's audit as a consequence of increased work described above. The Wales Audit Office have provided a high-level breakdown of these additional costs in line with the ISA 260 report.
- 2.5 Whilst the additional costs of £27,000 are not insubstantial and represent an increase of 71% of the original fee quoted, it is hoped such a level of additional audit work would not be required during next year's audit of the accounts as many of the issues that arose during this year's accounts had been resolved.
- 2.7 Members should note the Auditor General for Wales and Wales Audit Office fee estimate for the 2016/17 audit, which is set out in the 2017 Audit Plan that is also being presented today, is based on the published Fee Scheme and represents an increase on last year's fee estimate (relevant pages of Fee Scheme attached at Appendix 2).
- 2.8 To place some context around this for Members, the fees paid for the finance element of its annual audit work would be as follows:

Year audited	Fee	Note
2014/15	£38,000	KPMG
2015/16	£65,000 (£38,000 plus £27,000 additional)	WAO
2016/17	£57,022 (this fee could increase or decrease depending on the audit work required)	WAO

### 3. RECOMMENDATION

That Members accept the Wales Audit Office Annual Audit Letter 2015/16 for the Authority.

Contact Officer:	Background Papers:
Sally Chapman Deputy Chief Officer	Wales Audit Office Annual Audit Letter 2015/16



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

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Councillor D T Davies  
Chair of the South Wales Fire and Rescue Authority  
Forest View Business Park  
Llantrisant  
CF72 8LX

**Reference:** 710A2016

**Date issued:** 24 January 2017

Dear Councillor Davies

## Annual Audit Letter – South Wales Fire and Rescue Authority 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

### The Authority complied with its responsibilities relating to financial reporting and use of resources

It is the Authority's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 21 December 2016 I issued an unqualified audit opinion on the financial statements confirming they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to Fire Authority members on 19 December 2016 through my Audit of Financial Statements Report. The most important audit matters, which the Authority has now resolved or will resolve when it starts to prepare its 2016-17 financial statements, were:

- the poor quality of aspects of the draft financial statements and the supporting records, and their compliance with the CIPFA/LASAAC's Code of Practice;
- the high number of accounting adjustments that were made manually, outside of the Authority's financial ledger;
- the lack of an adequate asset register for the Authority's equipment assets and the lack of a process to identify their disposal; and
- the lack of an up-to-date valuation of one significant property asset.

I issued a certificate confirming that the audit of the accounts has been completed on 21 December 2016.

**I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Authority's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

As a result of the issues identified during the audit, we had to carry out a significant amount of additional work, particularly in order to gain sufficient audit assurance over the Authority's non-current assets. Consequently, fees of £27,000 will be charged in addition to the fee estimate of £38,000 set out in the Annual Audit Plan for 2015-16. The fee estimate for 2016-17 will be set within the fee-scale parameters for the fire and rescue authorities, which are set out in the Wales Audit Office's published *Fee Scheme 2016-17*.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'MJ', followed by a horizontal line.

**Mark Jones**

**For and on behalf of the Auditor General for Wales**

cc. Huw Jakeway, Chief Fire Officer  
Chris Barton, Treasurer

# Fee Scheme 2017-18



# Fee Scheme 2017-18

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the National Assembly under section 24(4)(c) of the Public Audit (Wales) Act 2013.

This document is also available in Welsh.

We welcome correspondence and telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.



# Contents

## Fee Scheme

Introduction	4
List of enactments	5
Fee rates and fee scales	6
Accounting for Highways Network Assets	10
The Well-being of Future Generations (Wales) Act 2015	11
Charging of fees	12

## Appendices

Appendix 1 – Public Audit (Wales) Act 2013 – full text of section 24	13
Appendix 2 – List of enactments under which the Wales Audit Office may and must charge fees	15
Appendix 3 – Wales Audit Office fee scales from 1 April 2017	17

# Introduction

- 1 This Fee Scheme has been prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013 (the Act) ([Appendix 1](#)). The Fee Scheme, following approval by the National Assembly's Finance Committee, provides the basis on which the Wales Audit Office charges fees.
- 2 The Wales Audit Office Estimate (for 2017-18), considered by the Finance Committee in November 2016, included a draft Fee Scheme in full. This approach reflects the Wales Audit Office Board's determination to further enhance transparency and to demonstrate the direct relationship between our cost base and its resultant impact on fee rates.
- 3 The Board has listened carefully to stakeholder feedback in relation to our cost-efficiency agenda and the fee rates we set. In seeking the National Assembly's support for our Estimate for 2017-18, we proposed in the Estimate:
  - A **third-year** freeze of fee rates and fee scales in cash terms, which feedback told us would be welcomed. In real terms this represents a reduction of four per cent since those rates were set in 2014-15.
  - To meet cost pressures in relation to staff pay, inflation and other costs through internal savings and efficiencies so as not to affect fees.
  - To continue in line with previous National Assembly agreement to fund National Fraud Initiative (NFI) work from our charge on the Welsh Consolidated Fund rather than through fees charged to participating bodies. Feedback told us that audited bodies welcome this approach.
  - To continue to finance development work associated with the Well-being of Future Generations Act 2015 from a charge on the Welsh Consolidated Fund rather than through fees charged to affected bodies.
  - To expand public sector secondment opportunities for our accounting trainees, without impacting on fees charged for audit work.
  - To maintain capacity for transformational thinking in our approaches to audit work. Feedback reinforced the need for us to do more developmental work as part of balancing the overall cost of audit on public bodies.

- 4 This Fee Scheme reflects the approved Estimate and in broad terms sets out:
  - The enactments under which the Wales Audit Office charges audit fees.
  - The arrangements for setting those fees, which comprise either:
    - fee scales that set out fee ranges for particular areas of audit work in local government; or
    - fee rates for work not covered by fee scales.
- 5 Broadly, 70 per cent of our expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government to support improvement assessment work. The remaining 30 per cent is provided directly from the Welsh Consolidated Fund through vote of the National Assembly. Further information about our expenditure and funding is contained in annual estimates of income and expenditure which are laid before the National Assembly.

## List of enactments

- 6 [Appendix 2](#) sets out the enactments under which the Wales Audit Office may and must charge fees.

## Fee rates and fee scales

- 7 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- 8 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, as a result of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 9 Legislation governing the fee regime in Wales is more complex than in other parts of the UK. As the Auditor General outlined to the Finance Committee in the last Assembly, this creates inefficiency and additional cost for the public sector in Wales. We are keen to develop proposals for a simpler and more cost effective arrangement which can be considered by the present Assembly's Finance Committee. We will be looking to consult public services on possible options early in 2017.
- 10 We went beyond the statutory fee consultation requirements and, in September 2016, consulted all audited bodies and other stakeholders on our fee scales and fee rates for 2017-18. We received responses from across the sectors we audit. Those responses told us that:
  - Continued freezing of fee rates is very much welcomed as is the funding of participation in the National Fraud Initiative.
  - There is some concern, particularly amongst Welsh Government Sponsored Bodies at the potential charges for audit work required by the Well-being of Future Generations Act 2015 not being met by Welsh Government funding.
  - There is some pressure for a more streamlined audit approach, to help reduce overall fees charged for audit work. Funding identified for transformational thinking in 2016-17 is being used to review our approach. This work will continue in 2017-18.

- 11 The Board welcomed this feedback and responds to it through this Fee Scheme and our business planning framework.
- 12 **Exhibit 1** sets out the hourly fee rates for audit staff. These have remained frozen since 2014-15, representing a four per cent reduction in real terms.

#### Exhibit 1 – Fee rates for audit staff – on all audit work

Grade	Fee rate (£ per hour)
Engagement director	162
Audit manager	111
Performance audit lead	93
Financial audit team leader	75
Performance auditor	65
Financial auditor	56
Graduate trainee	43

- 13 We are required to prescribe fee scales for:
- work relating to the audit of local government bodies;
  - work under the Local Government (Wales) Measure 2009; and
  - data-matching work (NFI).
- 14 Fee scales for the audit of 2016-17 financial accounts and 2017-18 improvement audits and assessments are provided in [Appendix 3](#) in relation to work conducted at unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, town and community councils and local government pension funds. A separate fee scale is provided in relation to the NFI.
- 15 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 16 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 17 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.

- 18 The fee rates apply to all audit work that the Wales Audit Office will charge for, except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done by agreements prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears to the Wales Audit Office that the work involved in a particular audit differs substantially from that originally envisaged, the Wales Audit Office may charge a fee which differs from that originally notified.
- 19 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service. To meet their statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 20 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of Wales Audit Office staff.

# Accounting for Highways Network Assets

- 21 The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 has deferred the move to measuring the local authority highways network asset at depreciated replacement cost instead of depreciated historical cost. The Code Board will consider whether the central GRC rates and central assurance processes will be delivered in a timely manner to enable successful implementation in 2017-2018 at its meeting in March 2017. If the amended measurement requirements are introduced from April 2017 then the required additional audit work cannot be contained within existing fees. The additional audit cost will be agreed based on the quality of the council's systems and records and the availability of central assurances.



# The Well-being of Future Generations (Wales) Act 2015

- 22 The Well-being of Future Generations Act requires specified public bodies to set and publish well-being objectives, take steps to meet those objectives and report annually on their progress. It also requires the Auditor General to carry out examinations into the extent to which those public bodies set objectives and take steps to meet them in accordance with the sustainable development principle.
- 23 During 2016-17, we are working with audited bodies named in the Act and the Future Generations Commissioner for Wales as we develop and test audit approaches to fulfil the Auditor General's duty under the Act. The Auditor General recently carried out a consultation on the implications of the Act on our audit approach. We are taking account of the positive and constructive responses to that consultation as we develop and test our audit approach, working closely with a representative sample of audited bodies and with the Future Generations Commissioner. We expect this development work to continue into 2017-18 and we have sought continued, albeit reduced, funding from the Welsh Consolidated Fund for that purpose.
- 24 As we confirm our audit approach over the course of the year, we will talk to relevant audited bodies about the implications of discharging the Auditor General's duty under the Act for fees from 2017-18 onward. For 2017-18, we do not plan to charge additional costs for this work, dependent on Assembly approval of our Estimate. Our aspiration, supported by consultation responses, is to integrate the requirements of the Act into our existing audit work, wherever practicable, as we move towards a consistent framework for review across all the bodies subject to the Act.

## Charging of fees

- 25 Each body's Engagement Director will explain that body's skills' mix for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 26 Audited bodies are expected to pay the Wales Audit Office's invoices within their performance target for creditor payments, usually 10 days in the public sector. We may charge for the administrative costs incurred in pursuing late payments.
- 27 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.

# Appendix 1 – Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
  - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
  - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
  - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
  - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
  - (a) include different provision for different cases or classes of case; and
  - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office
  - (a) must review the scheme at least once in every calendar year;
  - (b) may revise or remake the scheme at any time; and
  - (c) must lay the scheme (and any revision to it) before the National Assembly.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under
- (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
  - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees)
- to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the National Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

## Appendix 2 – List of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Enactments
<b>The Wales Audit Office may charge fees for the following activities</b>	
Audit of accounts by the Auditor General (other than local government accounts)	<ul style="list-style-type: none"> <li>Section 23(2) Public Audit (Wales) Act 2013</li> </ul>
Value for money studies undertaken by agreement	<ul style="list-style-type: none"> <li>Section 23(3)(a)-(c) Public Audit (Wales) Act 2013</li> </ul>
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement	<ul style="list-style-type: none"> <li>Section 23(3)(ba) Public Audit (Wales) Act 2013</li> </ul>
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle)	<ul style="list-style-type: none"> <li>Section 23(3)(ca) Public Audit (Wales) Act 2013</li> </ul>
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013	<ul style="list-style-type: none"> <li>Section 23(3)(d) Public Audit (Wales) Act 2013</li> </ul>
An extraordinary audit of the accounts of a local government body	<ul style="list-style-type: none"> <li>Section 37(8) of the Public Audit (Wales) Act 2004</li> </ul>
Data-matching exercises	<ul style="list-style-type: none"> <li>Section 64F(A1) of the Public Audit (Wales) Act 2004</li> <li>A fee scale must be prescribed for this work</li> </ul>
Advice and assistance provided by the Auditor General for registered social landlords	<ul style="list-style-type: none"> <li>Section 145D(2) of the Government of Wales Act 1998</li> </ul>

Nature of work	Enactments
<b>The Wales Audit Office must charge fees for the following activities</b>	
Work under the Local Government (Wales) Measure 2009	<ul style="list-style-type: none"> <li>• Section 27 of the Local Government (Wales) Measure 2009</li> <li>• A fee scale must be prescribed for this work</li> </ul>
Grant certification services	<ul style="list-style-type: none"> <li>• Section 23(4)(a) Public Audit (Wales) Act 2013</li> </ul>
Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998	<ul style="list-style-type: none"> <li>• Section 23(4)(b) Public Audit (Wales) Act 2013</li> </ul>
Auditing the accounts of a local government body and undertaking studies by agreement with a local government body	<ul style="list-style-type: none"> <li>• Section 20(A1)(a)-(b) of the Public Audit (Wales) Act 2004</li> <li>• A fee scale must be prescribed for the audit of the accounts of local government bodies</li> </ul>
Benefit administration studies for the Secretary of State. The Auditor General may conduct, or assist the Secretary of State in conducting, a benefit administration study only if the Secretary of State has made arrangements for the payment to the Wales Audit Office of a fee in respect of the study. The amount of the fee must be a reasonable amount agreed between the Secretary of State and the Wales Audit Office.	<ul style="list-style-type: none"> <li>• Section 45 of the Public Audit (Wales) Act 2004</li> </ul>
Assisting Her Majesty's Chief Inspector of Education and Training in Wales with inspections of local authorities. The Auditor General for Wales shall not provide such assistance unless, before he does so, the Chief Inspector has agreed to pay the Wales Audit Office a fee.	<ul style="list-style-type: none"> <li>• Section 41A of the Education Act 1997</li> </ul>
Programmes of studies relating to registered social landlords undertaken by agreement between the Welsh Ministers and the Auditor General. It shall be a term of every such programme that the Welsh Ministers must pay to the Wales Audit Office a sum in respect of the costs incurred.	<ul style="list-style-type: none"> <li>• Section 145C(3) of the Government of Wales Act 1998</li> </ul>

# Fire and rescue authorities

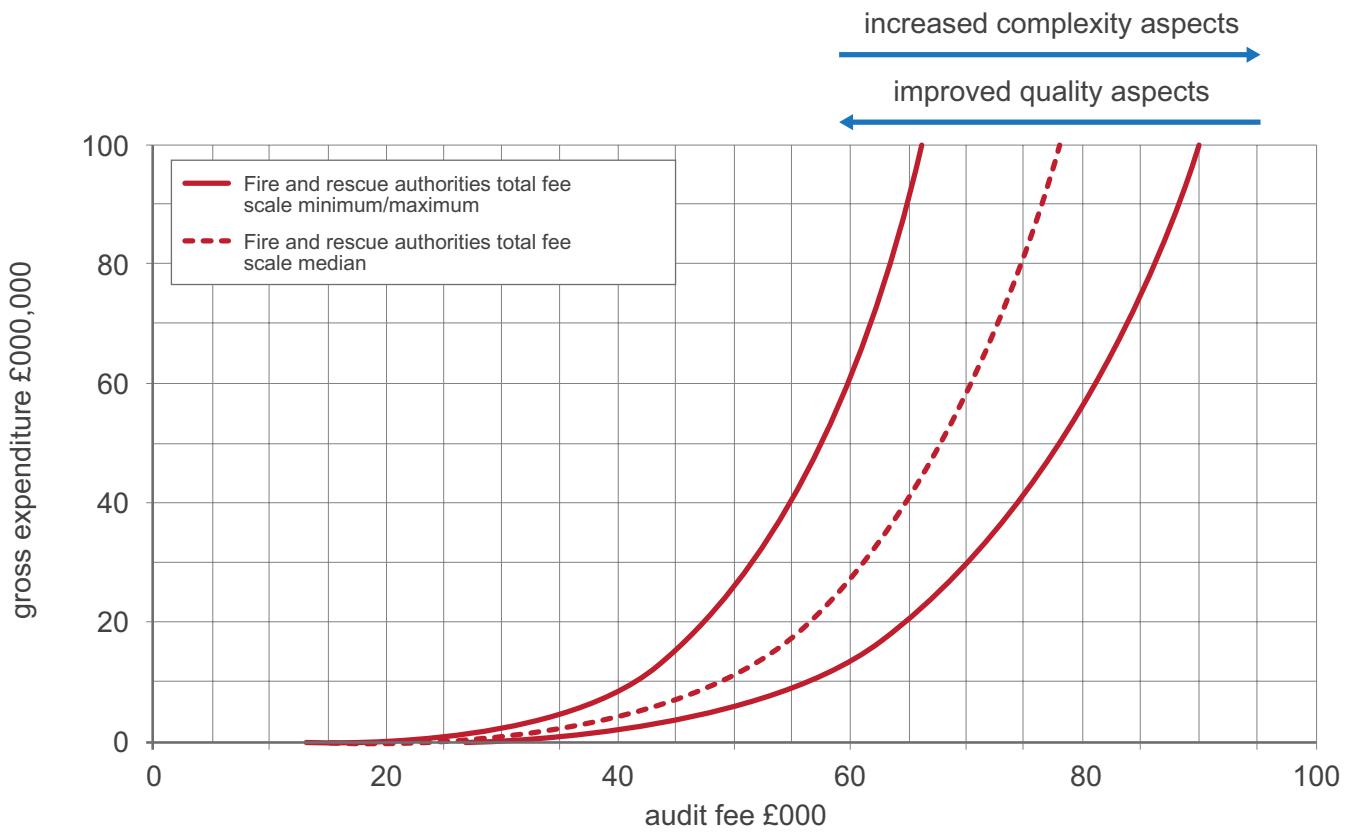
## Fee scale for audit of 2016-17 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
20	35	41	47	41
40	42	49	56	49
60	46	55	63	55
80	50	59	68	59
100	53	63	72	63

## Fee scale for 2017-18 improvement audits, and assessments and special inspections under the Local Government (Wales) Measure 2009

All fire and rescue authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	13	16	18	14

Graphic of audit total fee scale for fire and rescue authorities





**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE TREASURER

AGENDA ITEM NO 7  
3 APRIL 2017

**TREASURY MANAGEMENT STRATEGY 2017/18**

**SUMMARY**

To submit for approval the Authority's Annual Treasury Management Strategy.

**RECOMMENDATION**

The FAPM committee recommend to the Fire & Rescue Authority to approve the capital programme and related capital financing contained in the following report.

To approve the treasury management strategies and indicators in support of the above.

To approve the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2017/18.

To provide approval for the Treasurer to update the strategies and policies in line with changing economic forecasts and information as necessary throughout the year.

**1. BACKGROUND**

- 1.1 The Fire & Rescue Authority is required to approve in advance of each financial year its capital requirements, the capital financing and treasury strategies in support of these and the policies and indicators to be used for monitoring and control activities. Detailed explanations and information are set out in Appendix 1 below.
- 1.2 The revised Prudential Code for Capital Finance in Local Authority's outlines the requirements for which capital spending plans are considered and approved. The intention is to ensure that capital budgets are affordable, sustainable and are developed as part of an integrated treasury management strategy.
- 1.3 The Authority also has regard to the Welsh Government (WG) Guidance on Local Government Investment. The guidance requires the Authority to produce an Annual Investment Strategy (AIS), a Minimum Revenue Provision (MRP) Policy, a Treasury Management Strategy (TMS) and also allows Authority's to combine these strategies into one document.

## 2. ISSUE

- 2.1 The purpose of this report is for Members to consider the treasury management activities required to deliver capital spending plans in a prudent and sustainable manner and ensure cash resources are managed effectively for the next 3 years.
- 2.2 This report if approved ensures compliance with the necessary regulatory requirements detailed in appendix 1.

## 3. EQUALITY RISK ASSESSMENT

- 3.1 There are no Equality implications resulting directly from this report. Each element of both the capital and revenue budgets will have undergone Equality Risk Assessments by the responsible project lead. The Treasury Management Strategy determines our counter parties in accordance with Member appetite for risk and return and in the context of affordability.

## 4. FINANCIAL IMPLICATIONS

- 4.1 The approval of the Treasury Management Strategy provides the control framework within which officers can operate to ensure that as far as possible the costs of borrowing are minimised, and investment opportunities are maximised, whilst ensuring risk is kept to a minimum.

## 5. RECOMMENDATION

- 5.1 The FAPM committee recommend to the Fire & Rescue Authority to approve the appended strategies and indicators relating to Treasury Management and Capital Financing.
- 5.2 To submit for approval for the Minimum Revenue Provision (MRP) policy to be adopted by the Authority for 2017/18.
- 5.3 To seek approval to allow the Treasurer to update the strategies and policies in line with changing economic forecasts an information as necessary throughout the year.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none"> <li>- Local Government Act 2003</li> <li>- CIPFA Treasury Management Code of Practice</li> <li>- CIPFA Prudential Code</li> <li>- WG MRP &amp; Investment Guidance</li> <li>- 2017/18 Capital budget working papers</li> </ul>

# 1 INTRODUCTION

## Appendix 1

### 1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

CIPFA defines treasury management as:

*“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

### 1.2 Reporting requirements

The Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans and prudential indicators;
- a minimum revenue provision (MRP) policy;
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- the investment strategy (the parameters on how investments are to be managed).

**A mid-year treasury management report** – To update Members with the capital programme position and amend prudential indicators and policies as necessary.

**An annual treasury report** – This provides details of actual prudential and treasury indicators and treasury operations in comparison to the estimates within the strategy.

### Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Authority. This role is undertaken by the Finance, Audit & Performance Management (FAPM) Committee.

### **1.3 Treasury Management Strategy for 2017/18**

The strategy for 2017/18 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators;
- the MRP policy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Authority;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Welsh Government MRP Guidance, the CIPFA Treasury Management Code and Welsh Government Investment Guidance.

### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Member training takes place at their 'home' Authority and officer training is assessed annually through individual development plans.

### **1.5 Treasury management consultants**

The Authority uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

## 2 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2019/20

The Authority's capital expenditure plans are the key driver of treasury management activity and form the basis for the prudential indicators.

### 2.1 Capital expenditure

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
<b>Total</b>	<b>5,153</b>	<b>3,237</b>	<b>7,972</b>	<b>4,612</b>	<b>4,795</b>

- A detailed capital programme is contained in the supplementary section 5.1, below.

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises how these plans will be finance with any shortfall of resources resulting in a borrowing need.

Financing of capital expenditure £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital receipts	2,481	0	500	100	0
Capital grants	66	48	0	0	0
Reserves	0	25	2,980	1,500	0
Revenue	239	243	200	200	200
<b>Net financing need</b>	<b>2,367</b>	<b>2,921</b>	<b>4,292</b>	<b>2,812</b>	<b>4,595</b>

### 2.2 The Authority's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been funded. It is essentially a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, options detailed in appendix 1.

The CFR includes any other long term liabilities e.g. PFI, finance leases, and whilst these increase the CFR they also include a borrowing facility, nullifying the CFR impact and so the Authority is not required to separately borrow. The Authority currently has £5.5m of such schemes within the CFR as at 31 March 2016.

The Authority is asked to note and approve the CFR projections below:

<b>£000</b>	<b>2015/16 Actual</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
<b>Total CFR</b>	<b>45,810</b>	<b>45,216</b>	<b>46,727</b>	<b>46,429</b>	<b>47,616</b>
<b>Movement in CFR</b>	<b>(355)</b>	<b>(594)</b>	<b>1,511</b>	<b>(298)</b>	<b>1,187</b>
<b>Movement in CFR represented by</b>					
Net financing need	<b>2,367</b>	<b>2,921</b>	<b>4,292</b>	<b>2,812</b>	<b>4,595</b>
Less MRP	2,722	2,915	3,281	3,210	3,408
<b>Movement in CFR</b>	<b>(355)</b>	<b>6</b>	<b>1,511</b>	<b>(298)</b>	<b>1,187</b>

### 3 BORROWING

The capital expenditure plans set out in Section 2 will involve both the organisation of cash flow and, the organisation of appropriate borrowing facilities over a short and long term basis.

#### 3.1 Current portfolio position

The Authority's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual and forecast external debt against the CFR to highlight any over or under borrowing as an indication of prudential borrowing.

£m	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
<b>External Debt</b>					
Debt at 1 April	40,241	39,133	37,224	36,309	35,893
Expected change in Debt	(1,108)	(1,909)	(916)	(416)	(416)
Other long-term liabilities (OLTL)	5,511	5,163	4,780	4,584	4,576
Expected change in OLTL	(419)	(348)	(383)	(196)	(9)
Actual gross debt at 31 March	<b>44,644</b>	<b>42,387</b>	<b>41,088</b>	<b>40,477</b>	<b>40,052</b>
The Capital Financing Requirement	<b>45,810</b>	<b>45,816</b>	<b>47,327</b>	<b>47,029</b>	<b>48,216</b>
Under / (over) borrowing	<b>1,166</b>	<b>3,429</b>	<b>6,238</b>	<b>6,552</b>	<b>8,163</b>

There are a number of prudential indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing, but ensures that borrowing is not undertaken for revenue purposes as a measure of solvency, sustainability and because the Authority is required to set annually a balanced revenue budget to fund revenue activities.

The Treasurer reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future, as demonstrated above. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary £000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	50,000	45,000	45,000	45,000
Other long term liabilities	10,000	10,000	10,000	10,000
Total	60,000	55,000	55,000	55,000

**The authorised limit for external debt.** This key indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority plans, or those of a specific Authority, although this power has not yet been exercised. The Authority is asked to approve the following authorised limit:

Authorised limit £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	50,000	50,000	50,000	50,000
Other long term liabilities	10,000	12,000	14,000	16,000
Total	60,000	62,000	64,000	66,000

### 3.3 Prospects for interest rates

The Authority has appointed Capita Asset Services as its treasury advisor to formulate a view on interest rates and the following table provide the central view.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

The PWLB rate includes the certainty rate discount.

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4 August in order to counteract a forecast slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated stronger growth in the second half 2016; also, inflation forecasts have risen substantially as a result of



continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip in economic growth. During the two year period i.e. 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, i.e. by raising Bank Rate, which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is tentatively pencilled in, in quarter 2 2019 and after negotiations have been concluded. However, if strong domestically generated inflation, e.g. from wage increases within the UK, were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

A more detailed narrative explaining forecast interest rate movements is included in appendix 2.

### **Investment and borrowing rates**

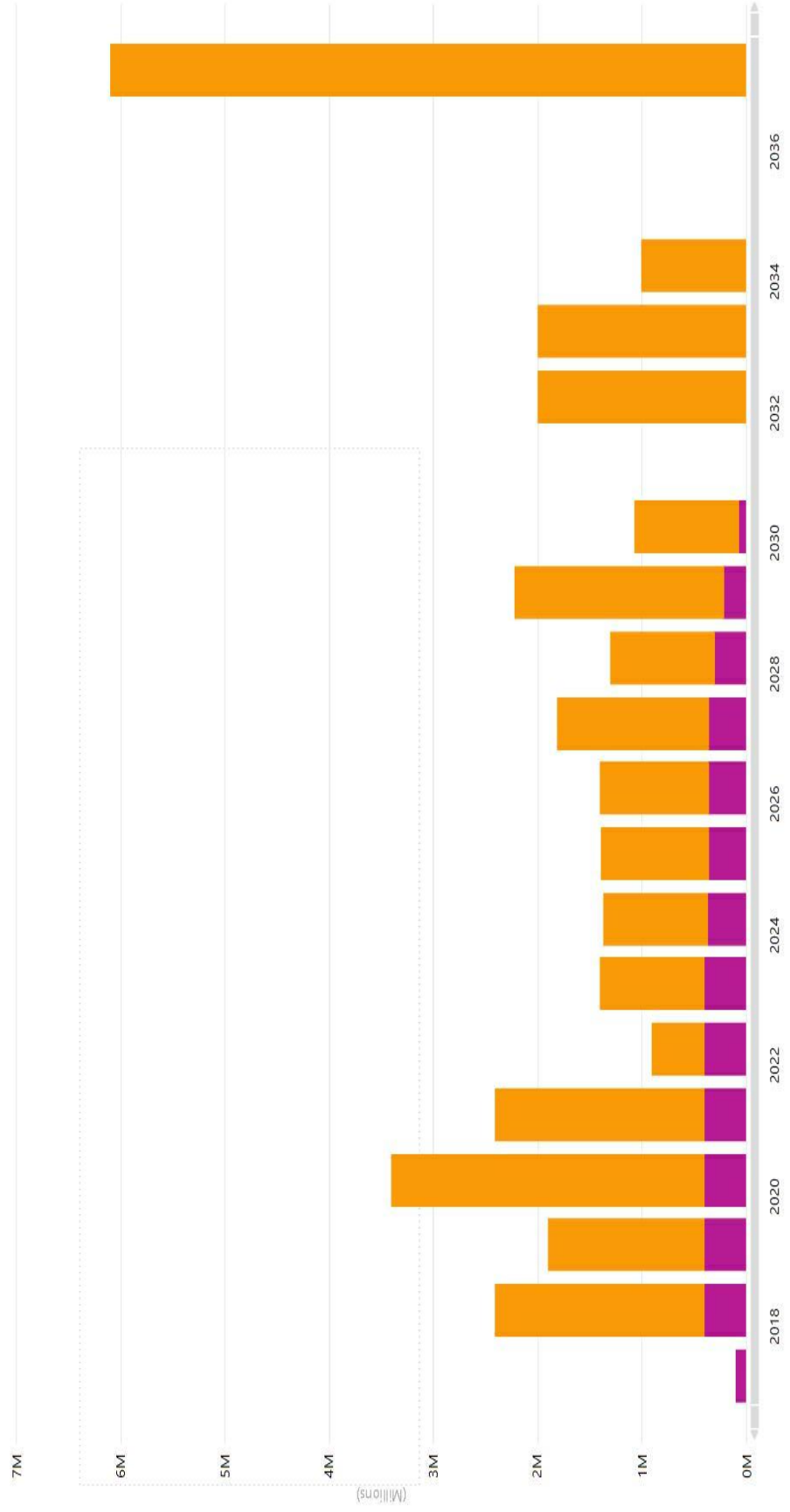
- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically low levels after the referendum and then even further after the MPC meeting of 4<sup>th</sup> August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

### **3.4 Borrowing strategy**

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need i.e. CFR, has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Officers will monitor interest rates and adopt a pragmatic approach. Borrowing will be fixed rate thus reflecting the low risk appetite of the Authority in prioritising budget certainty over cheaper short term rates as rates will and can fluctuate over the life of the loan term. The timing and structure of borrowing will be based on an assessment of the current loan maturity structure (below) to mitigate the impact refinancing risk and to ensure that borrowing is planned in line with cash flow, capital spending plans and relatively favourable market rates.

### Loan Maturity Structure



The possibility of debt re-scheduling is remote as rates would have to fall significantly lower due to the current net debt book rate of approx. 4% in addition to early repayment premiums. The more likely scenario is for the Authority to forward borrow to ensure long term borrowing costs remain affordable and to address future refinancing requirements.

### **3.5 Policy on borrowing in advance of need**

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be carefully considered to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Debt rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Authority at the earliest meeting following its action.

## **4 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment policy**

The Authority's investment policy has regard to the Welsh Government's (WG) Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Authority's investment priorities will be security first, liquidity second, then return (or yield) i.e. SLY.

In accordance with the above guidance, and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed below as ‘specified’ investments. Counterparty limits will be as set through the Authority’s treasury management practices.

**SPECIFIED INVESTMENTS:** All investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

#### **NON-SPECIFIED INVESTMENTS**

The Authority will not place non-specified investments.

#### **4.2 Creditworthiness policy**

This Authority applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments.

The Authority will therefore use counterparties within the following durational bands:

- Yellow      5 years \*
- Dark pink    5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink    5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour
	Colour	Money Limit	Time Limit					
<b>Banks *</b>	yellow	£10m	1 yr					
<b>Banks</b>	purple	£10m	1 yr					
<b>Banks</b>	orange	£10m	1 yr					
<b>Banks – part nationalised</b>	blue	£10m	1 yr					
<b>Banks</b>	red	£10m	6 mths					
<b>Banks</b>	green	£10m	100 days					
<b>Banks</b>	No colour	Do not use						
<b>Authority’s banker</b>	Red	£10m	Call					
<b>Other institutions limit</b>	Blue	£10m	Call					
<b>DMADF</b>	AAA	£10m	1 yr					
<b>Local authorities</b>	n/a	£10m	1 yr					
	Fund rating	Money Limit	Time Limit					
<b>Money market funds</b>	AAA	£10m	1 yr					
<b>Enhanced money market funds with a credit score of 1.25</b>	Dark pink / AAA	£10m	1 yr					
<b>Enhanced money market funds with a credit score of 1.5</b>	Light pink / AAA	£10m	1 yr					

Typically the minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services’ creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority’s minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

### 4.3 Country limits

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 4.4 Investment strategy

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates i.e. rates for investments up to 12 months.

**Investment returns expectations:** In view of the bank rate forecasts above, the suggested budgeted investment rates for periods up to 100 days during each financial year are as follows:

	<b>Now</b>
2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

**Investment treasury indicator and limit:** Total principal funds invested for less than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Authority is asked to approve the treasury indicator and limit: -

<b>Maximum principal sums invested &lt; 365 days</b>			
<b>£000</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Principal sums invested	10,000	10,000	10,000

Officers do not intend to place investments for periods of more than 365 days, in line with the SLY framework.

For its cash flow generated balances, the Authority will seek to utilise its business instant access accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

#### **4.5 Investment risk benchmarking**

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID.

#### **4.7 External fund managers**

The Authority does not employ the services of external fund managers.

#### **4.8 Icelandic bank investments**

No investments were/have been made with Icelandic banks.

## 5 Supplement

1. Capital Programme
2. Prudential / treasury indicators and MRP statement
3. Interest rate forecasts
4. Economic background
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 151 officer



<b>CAPITAL PROGRAMME</b>	<b>SLIPPAGE c/f 2017/18 £'000</b>	<b>2017/18 Budget £'000</b>	<b>2018/19 Budget £'000</b>	<b>2019/20 Budget £'000</b>
<b>PROPERTY</b>				
LAND ACQUISITIONS	750			
<b>STATION REFURBISHMENTS</b>				
NEW INN		500	1,500	550
PLANNED STATION REFURB				1,500
MONMOUTH	595			
<b>NEW BUILDS</b>				
CFBT @ CARDIFF GATE	480	2,500	1,500	
MALPAS				100
PONTYPRIDD				100
PLANNED & PREVENTATIVE MAINT	570		340	340
	<b>2,395</b>	<b>3,000</b>	<b>3,340</b>	<b>2,590</b>
<b>VEHICLES</b>				
MINIBUS	0		28	28
NON-OPERATIONAL 4WD	23	26		
UTILITY 4WD	0		120	180
LIGHT VEHICLES	0	155	155	155
TRUCK (SLIDE DECK/CRANE)			180	
RESCUE BOAT		45		
RECOVERY UNIT			115	
WATER LADDERS	0	1,150	464	696
	<b>23</b>	<b>1,376</b>	<b>1,062</b>	<b>1,059</b>
<b>EQUIPMENT - ORM</b>				
ROAD SAFETY VEHICLE EQUIPMENT		33		
FIREGROUND DIGITAL MOBILE RADIOS		670		
RADIO FREQUENCY ID READERS			110	
BREATHING APPARATUS SETS				700
RADOS RDS-200 UNIVERSAL SURVEY METER				43
THERMO-SIEMENS ELECTRONIC PERSONAL DOSIMETER				103
	<b>0</b>	<b>703</b>	<b>110</b>	<b>846</b>
<b>ICT</b>				
BIM SYSTEM	126			
FINANCE/PROCUREMENT SYSTEM	21			
HR/PAYROLL SYSTEM	73			
ICT REPLACEMENT PROGRAMME	0			300
HQ SWITCH REPLACEMENT		200		
UNIFIED COMMS REPLACEMENT PROGRAMME			100	
SERVER INFRASTRUCTURE REPLACEMENT		55		
	<b>220</b>	<b>255</b>	<b>100</b>	<b>300</b>
<b>TOTAL</b>	<b>2,638</b>	<b>5,334</b>	<b>4,612</b>	<b>4,795</b>

## 5.2 PRUDENTIAL / TREASURY INDICATORS AND MRP STATEMENT

### 5.2.1 Minimum revenue provision (MRP) policy statement

The Authority is required to pay off an element of the CFR through an annual revenue charge i.e. the minimum revenue provision - MRP, although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Welsh Government regulations have been issued which require the full Authority to approve **an MRP Statement** in advance of each year. The Authority is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in Welsh Government regulations (option 1);

These options provide for an approximate 4% reduction in annual borrowing need.

From 1 April 2008 for all unsupported borrowing (inc PFI and finance leases), the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

### 5.2.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact on the Authority's overall finances. The Authority is asked to approve the following indicators:

#### a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	6.57	6.86	7.26	7	7.2

The estimates of financing costs include current commitments and the proposals in this budget report.

## 5.2 INTEREST RATE FORECASTS 2016 – 2020

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term i.e. 25yrs trend of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
  - Italian constitutional referendum 4.12.16;

- Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
- Dutch general election 15.3.17;
- French presidential election April/May 2017;
- French National Assembly election June 2017;
- German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

### 5.3 ECONOMIC BACKGROUND

**UK. GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015. In addition, the GfK consumer confidence index has recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result.

**Bank of England GDP forecasts** in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

**Capital Economics' GDP forecasts** are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

**The Chancellor** has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of 3.2% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, (16% down against the US dollar and 11% down against the Euro); this will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the

acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure for October surprised by under shooting forecasts at 0.9%. However, producer output prices rose at 2.1% and core inflation was up at 1.4%, confirming the likely future upwards path.

**Gilt yields, and consequently PWLB rates**, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and have hit a peak on the way up again of 1.46% on 14 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

**Employment** has been growing steadily during 2016, despite initial expectations that the referendum would cause a fall in employment. However, the latest employment data in November, (for October), showed a distinct slowdown in the rate of employment growth and an increase in the rate of growth of the unemployment claimant count. **House prices** have been rising during 2016 at a modest pace but the pace of increase has been slowing since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

**USA.** The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, the first estimate for quarter 3 at 2.9% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to

strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** have risen sharply in the week since his election. Time will tell if this is a temporary over reaction, or a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

The election does not appear likely to have much impact on the Fed. in terms of holding back further on increasing **the Fed. Rate**. Accordingly, the next rate rise is still widely expected to occur in December 2016, followed by sharper increases thereafter, which may also cause Treasury yields to rise further. If the Trump package of policies is fully implemented, there is likely to be a significant increase in inflationary pressures which could, in turn, mean that the pace of further Fed. Rate increases will be quicker and stronger than had been previously expected.

In the first week since the US election, there has been a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which is likely to be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

**EZ.** In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%.

**EZ GDP growth** in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.6% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to



stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also ‘too big, and too important to their national economies, to be allowed to fail’.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this has also become a confidence vote on Prime Minister Renzi who originally said he would resign if there is a ‘no’ vote, but has since back tracked on that in the light of adverse poll predictions. A rejection of these proposals would stop progress to fundamental political and economic reform which is urgently needed to deal with Italy’s core problems, especially low growth and a very high debt to GDP ratio of 135%. They are also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is unclear what the political, and other, repercussions could be if there is a ‘No’ vote.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of

the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.

- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

**Asia.** Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

**Emerging countries.** There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these

concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the remaining two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

### **Brexit timetable and process**

- March 2017: UK government notifies the European Authority of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

#### 5.4 APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher based on the lowest rating from Fitch, Moody's and S&P and also, have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

##### AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### AA+

- Finland
- Hong Kong
- U.S.A.

##### AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

##### AA-

- Belgium

**PLEASE NOTE - THIS PAGE IS AS AT 17.11.16**

## **5.5 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Fire Authority**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

### **(ii) Full Fire Authority/ Finance & Performance Management Committee (FAPM)**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

### **(iii) FAPM**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## **5.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 8  
3 APRIL 2017

**REVENUE MONITORING REPORT 2016/17**

**SUMMARY**

The Revenue Monitoring report provides detail of the annual revenue budget and associated information for the year ending 31 March 2017.

**RECOMMENDATION**

That the Finance, Audit & Performance Management Committee note the report content and approve the virement.

**1. BACKGROUND**

- 1.1 This report provides an update of the major changes affecting the revenue budget since the Finance, Audit & Performance Management Committee on 5 December 2016.
- 1.2 Appendix 1 details the annual budget, transactions to date (actuals), the forecast outturn position and variance analysis. Appendix 2 charts the budget variances reported at each Finance, Audit & Performance Committee in addition to overall year end position.
- 1.3 Projected salary information has been produced in consultation with the People Services Directorate and in conjunction with Heads of Service. Non salary forecasts are a result of budget meetings held with devolved budget holders.

**2. ISSUE**

- 2.1 Updated revenue projections indicate a budget underspend of £1.3 million, an increase of £205k since previous reporting. Principal factors to this position include continued under spending on salaries (issues addressed in previous report), transport and capital financing costs, offset by an estimated increases in supplies and services, premises and contracted services.

**2.2 EMPLOYEE COSTS**

- 2.2.1 A further £335k underspend against employee costs since previous reporting substantially relates to the Auxiliary Reserve budget. Current forecast spending is detailed accordingly:

Uniform refresh	£ 6,100
SECURITAS (Yr 1 - Incident Command)	£ 19,748
AUX Costs (April - Nov)	£ 15,639
AUX Costs (until January 2017)	£ 4,368
Training Staff, OHU, CRB checks	£ 26,435
AUX Quarter (Training)	£ 21,500
AUX Quarter (Retainer)	£ 21,500
Resilience Contracts (Training)	£ 1,500
Resilience Contracts (Retainer)	£ 1,750
Aux Manager (last ¼ of 16/17)	£ 3,440
Training Contracts (last ¼ of 16/17)	£ 4,187
<b>Total</b>	<b>£126,167</b>

2.2.2 Against a budget set of £330k this results in an underspend of **£198,833**.

2.2.3 Members are also requested to approve a virement of £5k from the Auxiliary Reserve budget contained in salaries to the Contracted Services budget to cover the external management costs this work stream requires.

2.2.4 Vacancies under spends of £68k for individuals also contribute to the increased underspend along with £47k additional income to fund salary costs. In addition, there is a net underspend of £11k on pension costs, comprising £31k in respect of the Firefighters pension scheme as the number of actual retirements has increased in comparison to budget. This is offset by a £20k increase in payments against the LGPS pension scheme.

#### 2.2.5 Establishment figures (FTE) as at 31 January 2017

	<b>Strength*</b>	<b>Budgeted Estab</b>
WDS	796.00	788.00
RDS (100%)	432.25	539.00
Control	43.94	47.50
Support Staff	258.98	255.73
YFF	61.87	67.00
Members	24.00	24.00

\*strength numbers include those on career breaks but not funded staff and secondments to external agencies



**Total Leavers & Joiners  
April 2016 to January 2017 (Headcount)**

	<b>Leavers</b>	<b>Starters*</b>
Control	3	0
Support Staff	17	27
RDS	60	40
WDS	35	27
<b>Total</b>	<b>115</b>	<b>94</b>

\*Does not include additional contracts by existing employees

## 2.3 PREMISES COSTS

2.3.1 An additional £170k of spending is projected and relates to a variety of areas within the budget the largest being the installation of CCTV £75k which is currently being fitted. In addition, further support is required to undertake work on appliance bay doors, yard repairs, boiler replacement, plumbing and station redecoration.

Due to an increase in the number of skips required throughout the year an increase in waste costs of £14k is forecast to accommodate the additional charges to be incurred.

The above increases have been offset by projected underspends in telephone and communication budgets of £50k. An expected increase in annual Firelink costs of £22k will be offset against an anticipated under spend of £48k for wide area network (WAN) costs as a number of works to be carried out by BT will now be undertaken post April 2017, although it isn't clear if this will result in an overspend in this budget heading for next year. There is a further £24k saving within mobile calls due to a change in tariff along with decreased mobile phone usage.

## 2.4 TRAINING

2.4.1 The anticipated £38k increase consists of £63k to accommodate the revised water strategy and involves the requalification of Service personnel. This has been offset by £10k for Executive Leadership Programmes (ELP) as there have been no attendees during 2016/17 and £17k for Fire Investigation (FI) training no longer required due to SWFRS being in credit with the course provider. In addition, a number of courses planned have been re-scheduled for April resulting in a net under spend of £2k for this year although will impact next year's budget accordingly.

## 2.5 SUPPLIES AND SERVICES

2.5.1 The major areas of spend contributing to the increased forecast of £189k consist of the following:

2.5.1.1 An increase of £84k for operation equipment includes £61k for the unbudgeted purchase of ladders. A number of ladders have been found to be out of date and require replacement. These items are to be included in the replacement programme maintained by the ORM Department to ensure they are captured in future years. A further £39k is required for the unbudgeted purchase of replacement torches stowed on operational appliances which were included in future replacement programmes. The decision to replace was made when it became apparent that enhanced operational advantage could be gained.

2.5.1.2 An expected over spend of £133k for the purchase of Home Fire Safety items; these items are usually funded via grant and we have secured £250k of such funding from Welsh Government this year so far. Current overspend projections are in the region of £213k and will be partially offset by the underspending of our fellow Welsh Fire & Rescue Services to the value of £80k.

## 2.6 TRANSPORT

2.6.1 A reduction in projected spending of £116k is in part, attributable to a £52k saving on the derv budget as a result of a decrease in usage and pumps.

2.6.2 A further £78k reduction has been identified in the reactive areas of the fleet budget, i.e. equipment maintenance, purchase and also a £10 virement to contracted services.

2.6.3 The above underspends are offset by increased lease car costs by £12k due to new leases being taken out as employees come into post and monthly payments made by staff being updated accordingly.

## 2.7 CONTRACTED SERVICES

2.7.1 The increased forecast of £105k is largely attributable to the following areas:

- 2.7.1.1 re-allocation of £10k within the Fleet budget as detailed above.
- 2.7.1.2 An increase in forecast of £16k for surgical procedures. This budget was decreased during the first quarter to accommodate the additional costs incurred by providing counselling services. However based on expenditure to date and discussions with the budget holder, i.e. Head of HR, it is also now identified as being required within surgical procedures.
- 2.7.1.3 an increase in costs for legal consultancy of £40k is anticipated in relation to ongoing cases
- 2.7.1.4 £27k has also been included for costs payable to Wales Audit Office to cover the additional work/days provided during the recent financial audit

## 2.8 CAPITAL COSTS / LEASING

- 2.8.1 An underspend of £139k is forecast and is due to the under spend on the capital programme which affects the following areas:
  - 2.8.1.1 £181k reduction in the forecast for the Minimum Revenue Provision charge due to delays in projects being undertaken and weather delaying planned and preventative works.
  - 2.8.1.2 Capital Expenditure from Revenue Account (CERA) has increased by £43k due to the Vodafone contribution to the Virtual Desktop Infrastructure equipment reducing.

## 2.9 INCOME

- 2.9.1 The increase in income of £80k is largely attributable to the £43k that has been received from Vodafone for the contribution to the Virtual Desktop Infrastructure equipment which has been offset by the additional cost of CERA (as detailed above).
- 2.9.2 A further £13k has been received in regards to the UKISAR budget which has been used to partially cover additional training costs incurred.
- 2.9.3 An additional £17k for Legal re-imburements has been received including income from fines and charges.

2.9.4 Smaller amounts contribute to the overall variance and are in relation to bank interest, reimbursements and contributions to external work streams.

### **3. FINANCIAL IMPLICATIONS**

3.1 An increase in the projected underspend on the revenue budget equating to £205k since the Finance, Audit & Performance Management Committee on 5 December 2016.



### **4. EQUALITY RISK ASSESSMENT**

4.1 There are no equality implications resulting directly from this report. Each element of the revenue budget will have undergone equality and diversity risk assessments by the responsible budget holder as part of the budget planning process.

### **5. RECOMMENDATION**

5.1 That the Finance, Audit & Performance Management Committee note the report content and approve the virement.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance and Procurement	<ul style="list-style-type: none"> <li>• Revenue and Capital Determination Report</li> <li>• Revenue Budget Working Papers</li> <li>• Budget Holder Reports</li> <li>• Capital Monitoring Report</li> </ul>

<b>SOUTH WALES FIRE &amp; RESCUE SERVICE</b>								
<b>BUDGET MONITORING 2016/17</b>								<b>APPENDIX 1</b>
		Original Budget 2016/17 £	Budget (vired budget) 2016/17 £	Actual at 06.02.17 £	Forecast 31.03.17 £	Over/Under Spend Against Revised Budget	Over/ Under Spend %	Over/Under Spend Since FAPM 05.12.16
<b>Employee Costs</b>								
	Salaries, NI & superann.	52,948,351	52,941,351	42,824,468	51,422,347	1,519,004	2.2%	326,107
		52,948,351	52,941,351	42,824,468	51,422,347	1,519,004		
	Pensions (ill health)	1,055,611	1,055,611	490,359	914,748	140,863	0.2%	5,590
	Travel and Subsistence	421,000	421,000	297,788	401,186	19,814	0.0%	3,795
	<b>Total Employee Costs</b>	54,424,962	54,417,962	43,612,615	52,738,281	1,679,681	2.4%	335,492
	<b>Premises Related Expenses</b>	4,398,303	4,363,303	2,553,683	4,604,838	-241,535	-0.3%	-135,746
	<b>Training Expenses</b>	1,353,454	1,335,454	350,941	1,434,994	-99,540	-0.1%	-37,325
	<b>Supplies &amp; Services</b>	3,281,698	3,285,458	2,689,517	4,098,225	-812,767	-1.2%	-188,728
	<b>Transport Related Expenses</b>	1,408,288	1,408,288	960,762	1,263,016	145,272	0.2%	116,324
	<b>Third Party Payments (Contracted Services)</b>	615,054	671,304	583,138	879,777	-208,473	-0.3%	-104,815
	<b>Capital costs / leasing</b>	4,811,426	4,811,426	1,063,538	4,388,698	422,728	0.6%	139,447
	<b>Contingency</b>	340,000	340,000	0	0	340,000	0.5%	0
	<b>Income</b>	-1,122,110	-1,122,110	-1,077,719	-1,246,692	124,582	0.2%	80,459
	<b>CONTRIBUTION BUDGET 2016/2017</b>	69,511,075	69,511,085	50,736,475	68,161,138	1,349,947	1.9%	205,108
<b>Key</b>								
	 Overspend							
	 Underpend							

## BUDGET MONITORING 2016/17

## APPENDIX 2

	Original Budget 2016/17 £	Revised Budget (vired budget) 2016/17 £	FAPM Forecast 12.09.16 £	FAPM Forecast 05.12.16 £	FAPM Forecast 03.04.17 £	Variance at FAPM 12.09.16 to Revised Budget	Variance at FAPM 05.12.16 to FAPM 12.09.16	Variance at FAPM 03.04.17 to FAPM 05.12.16	Cumulative Variances against Revised Budget	Summary on variances previously reported*
<b>Employee Costs</b>										
Salaries, NI & superann.	52,948,351	52,941,351	52,863,238	51,748,455	51,422,347	83,113	1,114,783	326,107	1,524,004	-Saving generated through staffing vacancies. Reduction in number of Ill Health charges which will change if more occur during the course of the year. -WG grant funding in respect of Community Safety Posts
	52,948,351	52,941,351	52,863,238	51,748,455	51,422,347	103,113	1,114,783	326,107	1,544,004	
Pensions (ill health)	1,055,611	1,055,611	929,843	920,338	914,748	125,768	9,505	5,590	140,863	
Travel and Subsistence	421,000	421,000	415,788	404,980	401,186	5,212	10,808	3,795	19,814	
<b>Total Employee Costs</b>	54,424,962	54,417,962	54,208,869	53,073,773	52,738,281	214,093	1,135,096	335,492	1,684,681	
<b>Premises Related Expenses</b>	4,398,303	4,363,303	4,389,378	4,469,092	4,604,838	-26,075	-79,714	-135,746	-241,535	-Replacement fencing in HQ - anticipated to take place in 2015/16 -Increase to External / Internal fabric costs -Increase for reactive plumbing work and increased repairs to equip
<b>Training Expenses</b>	1,353,454	1,335,454	1,348,569	1,397,669	1,434,994	-13,115	-49,100	-37,325	-99,540	-Additional requirement for National Interoperability Liason Officer (NILO) training. - Additional HAZMAT training -External training costs covered by additional income
<b>Supplies &amp; Services</b>	3,281,698	3,285,458	3,337,502	3,909,497	4,098,225	-55,804	-571,994	-188,728	-816,526	-Increase in the number of subscription costs (unbudgeted and price increases) -Increase in equipment costs due to increase in requirement, partially offset by income received - £464k for purchase of red PPE - £22k for purchase of tablets for BFS
<b>Transport Related Expenses</b>	1,408,288	1,408,288	1,386,730	1,379,340	1,263,016	21,558	7,391	116,324	145,272	-Cars returned.
<b>Third Party Payments (contracted services)</b>	615,054	671,304	717,031	774,962	879,777	-46,977	-57,931	-104,815	-209,723	-Unbudgeted feasibility studies and a further £20k increase within Consultancy costs.
<b>Capital costs / leasing</b>	4,811,426	4,811,426	4,751,989	4,528,145	4,388,698	59,437	223,844	139,447	422,728	-Reduction in forecast for Minimum Revenue Provision (MRP), reduction in loan interest both offset by an increase to the operating lease budget to fund lease buy outs. -£135k set aside initially for external borrowing no longer required
<b>Contingency</b>	340,000	340,000	0	0	0	340,000	0	0	340,000	-Contingency budget set aside at the beginning of the year.
<b>Income</b>	-1,122,110	-1,122,110	-1,132,486	-1,166,232	-1,246,692	10,376	33,747	80,459	124,582	-Additional income received for Insurance claim and re-imbusement of costs for exercise Polygon. - Additional income offset by increase in additional expenditure against supplies and services and training
<b>CONTRIBUTION BUDGET 2016/2017</b>	69,511,075	69,511,085	69,007,583	68,366,245	68,161,138	503,492	641,338	205,108	1,349,938	

## Key

Overspend

Underpend

## **CAPITAL MONITORING REPORT 2016/17**

### **SUMMARY**

The Capital Monitoring report provides detail of the total capital budget for the year, expenditure to date and a forecast outturn position.

### **RECOMMENDATION**

That Members note the progress of the capital schemes, approve alterations identified in Appendix 1 and note the associated funding streams.

## **1. BACKGROUND**

- 1.1 This report provides an update on the previously reported position for capital investment. Appendix 1 details 2015/16 budget slippage, the 2016/17 budget, expenditure incurred to date, a forecast outturn position and budget slippage into 2017/18.
- 1.2 In summary, the total budget equates to £6.6 million, the forecast outturn position is £3 million and the resultant slippage and savings are £2.9 million and £764k respectively. Appendix 1 provides a more detailed breakdown of schemes contributing to the aforementioned position together with the necessary financing arrangements.
- 1.3 Since previous reporting the capital forecast has reduced by £1.56 million with the resulting increase of £1.05 million in 2017/18 slippage and £508k increase in under spend. The following report provides a more detailed narrative in support of this update supplemented by Appendix 1.

## **2. ISSUES**

### **2.1 Property**

#### **2.1.1 Land Acquisitions**

##### **2.1.1.1 Pontypridd**

A suitable site hasn't materialised this year as yet and if an opportunity does present itself, from now until the 31 March, the timescales involved would rule out spending in this financial year. On this basis, the full budget of £425k is being slipped forward.

## 2.1.2 Retained Duty Station Refurbishments

### 2.1.2.1 Monmouth

As previously reported, concept design has recently been agreed between each party of what is developing into a complex tri-party relocation project. A cost plan is being prepared to firm up costs and to determine the relevant contributions from South Wales Fire & Rescue Service, Gwent Police and Welsh Ambulance Service Trust. Therefore, it is anticipated that only a small amount of costs, ie £3k in respect of architect fees, will be incurred this year with the remaining budget being carried forward to complete the project in the new financial year.

2.1.2.2 Actual and committed costs will exceed budget as actual costs for the project will be offset by contributions to be received from our partners.

## 2.1.3 New Builds

### 2.1.3.1 Compartment Fire Behaviour Training Facility

Delays since previous reporting are primarily due to extensive market engagement, and is appropriate to the significance of the project. The work related specifically to a suitable emissions management control system and subsequent design changes to accommodate preferred component parts.

2.1.3.2 In addition, planning for the new build is currently being reviewed by the local authority which should be granted during February 2017.

2.1.3.3 An employer's agent has been appointed on behalf of the Service and the appointment of a principal contractor will take place in the coming weeks.

2.1.3.4 These delays now indicate current year spend of just £25k, with slippage increasing to £480k.

## 2.1.4 Planned and Preventative

2.1.4.1 Earmarked works included in this budget are the BA complex refurbishments at Pontyclun and Bridgend stations, plus roof works at Maesteg station. Works are predominantly external and weather determined,



therefore, the Property Manager has made a decision to delay works until the next financial year.

2.1.4.2 In addition, £100k of works are scheduled to complete this financial year on alterations at Abercarn station to accommodate the auxiliary Firefighter reserve and increased training requirements.

2.1.4.3 Consequently, £100k will be utilised this financial year with the remaining approved budget of £470k slipped forward to next financial year.

## 2.2 Vehicle Replacement Programme

### 2.2.1 Aerial Appliance

The refurbished vehicle is now expected to arrive early in the next financial year and the £275k budget has been carried forward to accommodate the cost. The delay is primarily due to the recent decision to install a safety rail around the rear of the appliance to mitigate the risk of a firefighter falling off the deck.

### 2.2.2 Control Unit

Delivery has taken place and actual costs have exceeded budget by £11k. The additional costs were required for an upgrade to the latest satellite technology and additional vehicle stability.

### 2.2.3 Non-Operational 4WD

The supplier for this vehicle has advised that they are no longer able to deliver before the end of the financial year. The £23k budget has therefore been slipped forward.

### 2.2.4 Vans (light vehicles)

There is an anticipated underspend of £12k on vans as a result of the plan to use the money to support civil contingency work streams although this did not come to fruition. The decision to purchase 2 covert domestic abuse vehicles out of the remaining budget and in line with service requirements.

2.2.4.1 The vans ordered are as follows:

- 5 x CDV (5 seater)
- 1 x CDV (7 seater)
- 1 x van (4x4)
- 2 x covert domestic abuse vans

2.2.4.2 The award of a £22k grant for the domestic abuse vans was received from Welsh Government during the year to match the cost of the vehicles.

### 2.2.5 **Water Ladders**

Changes in specifications arising from the Operational Co-ordination Group has determined there is no significant benefit for the installation of flowmeters on water ladders. The previous forecast was inclusive of these costs and therefore, a saving of £44k has been identified and reflected in Appendix 1.

## 2.3 **Equipment**

### 2.3.1 **CCTV Appliance & Body**

Final costs have been received for the new fit out of CCTV on appliances. This results in a £7k increase in spend since previous reporting.

### 2.3.2 **Lightweight Personal Protective Equipment (PPE)**

This expenditure item has been moved to the revenue budget in line with current accounting treatment of PPE. The forecast outturn of £48k reflects the pilot/trial costs of the project which is grant funded of 155 sets.

## 2.4 **ICT**

### 2.4.1 **Business Fire Safety Tablets**

Further analysis of the items within this budget heading has revealed they are revenue in nature and to this end, the £22k has been moved to the revenue budget.

### 2.4.2 **Finance/Procurement System**

Due to demands in year on staff resources in Finance, the budget setting module within the system is yet to be undertaken. It is likely to occur in 2017/18 and on that basis the budget has been slipped forward.

### 2.4.3 **HQ Backup Equipment**

Due to resource limitations, only the urgently required components will be purchased and installed this financial year at a cost of £5k. The remaining budget of £45k has been slipped forward in order to complete the project in the new financial year.

### 2.4.4 **ICT Replacement Programme**

The forecast outturn has increased by £14k since previous reporting mainly due to additional mobile equipment being ordered

to enhance resilience. In addition, income previously estimated from the supplier was £51k. However, the actual amount has now been agreed at £43k.

#### **2.4.5 Service Desk System**

The original tender award was due to take place on 7 December 2016 although subsequent clarification questions were sent to potential suppliers who submitted tenders. Following their responses, a decision was made to retender for this system in order to obtain best value for money and ensure an effective system.

2.4.6 The contract is anticipated to be awarded by March 2017. Full asset implementation is not likely to complete until 2017/18 due to the above delay in award and as such the full budget has been rolled forward to 2017/18.

### **3. FINANCIAL IMPLICATIONS**

3.1 Appendix 1 identifies the capital scheme details and is supported by paragraphs 2.1 to 2.4 above. The total available budget of £6.6 million, compared to the forecast investment costs of £3 million, result in £2.9 million of slippage and a £764k under spend.

3.2 The schedule of financing capital investment is also illustrated in Appendix 1. Since previous reporting an additional capital grant of £22k has been included to offset the gross costs recorded for vehicles. Also, the revenue budget contribution has been amended to reflect the known supplier contribution for the ICT Replacement Programme.

### **4. EQUALITY RISK ASSESSMENT**

4.1 There are no equality implications resulting directly from this report. Each element of the capital programme will have undergone equality risk assessments by the responsible project lead prior to the commencement of the scheme.

### **5. RECOMMENDATION**

5.1 That Members note the progress of the capital schemes, approve alterations identified in Appendix 1 and note the associated funding streams.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	<ul style="list-style-type: none"><li data-bbox="815 241 1276 315">• Revenue &amp; Capital Budget Determination Report</li><li data-bbox="815 327 1390 400">• Capital Monitoring working papers 2016/17</li><li data-bbox="815 412 1214 439">• Budget Holder Reports</li></ul>

CAPITAL PROGRAMME 2016/17							APPENDIX 1	
	SLIPPAGE B/F 2015/16 £000	2016/17 BUDGET £000	ACTUAL AS AT 08.02.17 £000	COMMITTED AS AT 08.02.17 £000	OUTTURN POSITION 31.03.17 £000	BUDGET UNDER/(OVER) SPEND £000	SLIPPAGE C/F 2017/18 £000	
<b>PROPERTY</b>								
<b>LAND ACQUISITIONS</b>								
PONTYPRIDD	425	0	0	0	0	0	425	
SOUTH CORNELLY	325	0	0	0	0	0	325	
<b>STATION REFURBISHMENTS - RDS</b>								
ABERTILLERY	180	0	121	64	180	0	0	
MONMOUTH	0	800	0	0	3	200	598	
<b>NEW BUILDS</b>								
CFBT FACILITY CARDIFF GATE	0	505	0	0	25	0	480	
OCCUPATIONAL HEALTH RELOCATION	0	50	0	0	0	50	0	
PLANNED & PREVENTATIVE MAINT	90	480	1	2	100	0	470	
	<b>1,020</b>	<b>1,835</b>	<b>122</b>	<b>66</b>	<b>308</b>	<b>250</b>	<b>2,298</b>	
<b>VEHICLES</b>								
AERIAL APPLIANCES	300	0	224	0	0	25	275	
CONTROL UNIT	213	0	224	0	224	-11	0	
MINIBUS	0	22	0	0	0	22	0	
NON-OPERATIONAL 4WD	0	28	0	0	0	5	23	
UTILITY 4WD	72	0	72	0	72	0	0	
VANS (LIGHT VEHICLES) <i>PART GRANT FUNDED</i>	0	155	0	141	143	12	0	
WATER LADDERS	213	1,313	1,168	286	1,487	39	0	
	<b>798</b>	<b>1,518</b>	<b>1,688</b>	<b>427</b>	<b>1,926</b>	<b>92</b>	<b>298</b>	
<b>EQUIPMENT - ORM</b>								
CCTV APPLIANCE & BODY	100	100	158	40	198	2	0	
DUAL THERMAL CAMERA	30	0	31	0	31	-1	0	
LIGHTWEIGHT PPE <i>GRANT FUNDED</i>	47	464	48	0	48	463	0	
	<b>177</b>	<b>564</b>	<b>236</b>	<b>40</b>	<b>276</b>	<b>465</b>	<b>0</b>	
<b>EQUIPMENT - ICT</b>								
BFS TABLETS	0	22	0	0	0	22	0	
BIM SYSTEM	0	126	0	0	0	0	126	
FINANCE/PROCUREMENT SYSTEM	21	0	0	0	0	0	21	
HQ BACKUP EQUIPMENT	0	50	0	0	5	0	45	
HR/PAYROLL SYSTEM	75	0	34	0	25	0	50	
ICT REPLACEMENT PROGRAMME*	68	0	140	0	142	-74	0	
SERVICE DESK SYSTEM	50	0	0	0	0	0	50	
STATION SWITCHES	0	200	174	0	190	10	0	
STATION TRANSMITTERS (RETAINED)	0	100	100	0	100	0	0	
	<b>214</b>	<b>498</b>	<b>448</b>	<b>0</b>	<b>462</b>	<b>-42</b>	<b>292</b>	
<b>TOTAL</b>	<b>2,209</b>	<b>4,415</b>	<b>2,493</b>	<b>533</b>	<b>2,972</b>	<b>764</b>	<b>2,888</b>	
<b>FUNDING</b>								
BORROWING					2,059			
REVENUE CONTRIBUTION (*includes £43k supplier contribution)					243			
REVENUE RESERVES					0			
CAPITAL GRANT					70			
CAPITAL RECEIPT					600			
					<b>2,972</b>			



AGENDA ITEM NO 10

**WAO Audit Plan 2017**







WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

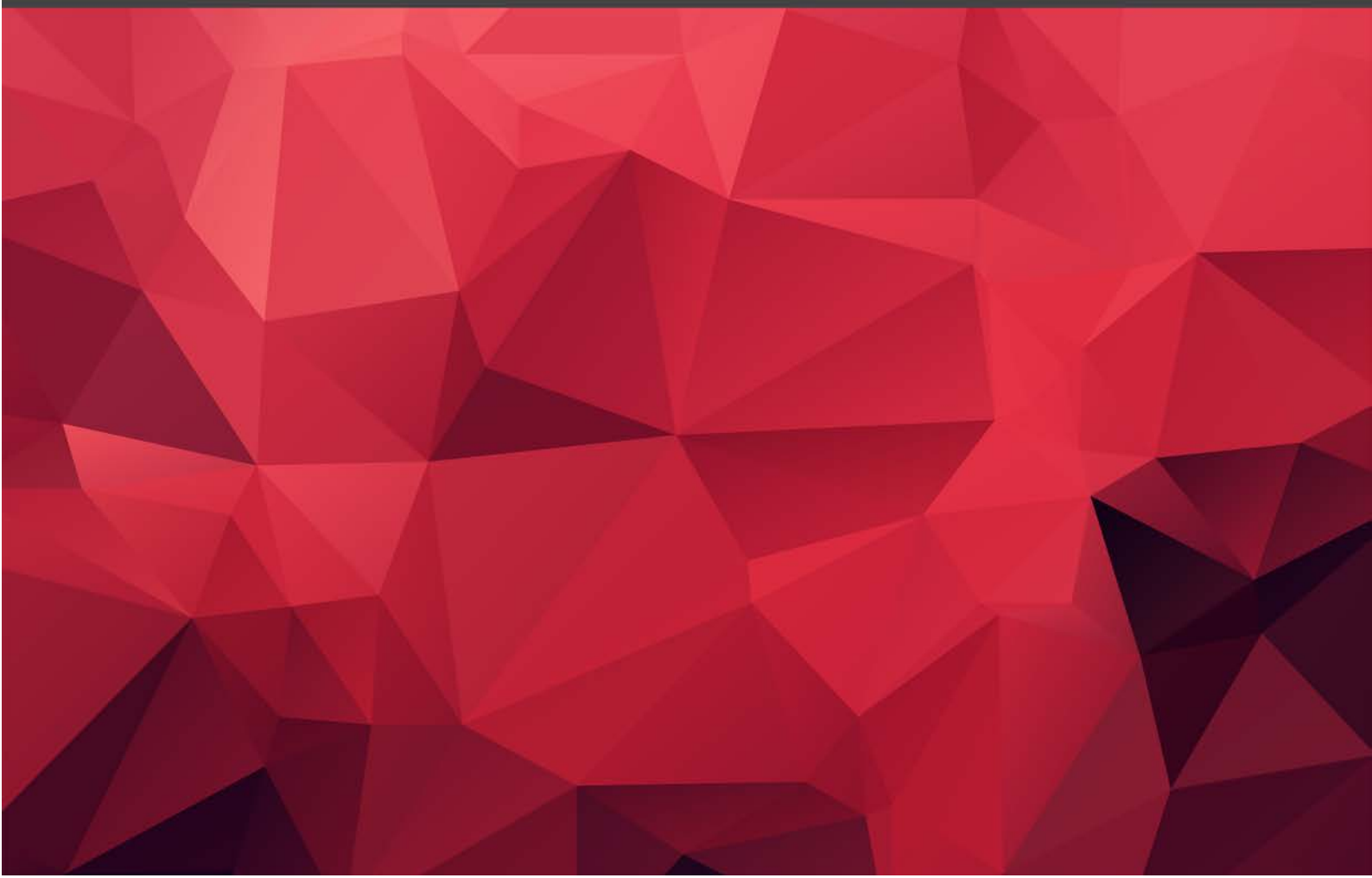
Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## 2017 Audit Plan – South Wales Fire and Rescue Authority

Audit year: 2016-17

Date issued: March 2017

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This document was produced by Jane Holownia and Mark Jones.

## 2017 Audit Plan

Summary	4
Financial audit	4
Performance audit	8
Fee, audit team and timetable	10
Future developments to my audit work	12

## Appendices

Appendix 1 – respective responsibilities	14
Appendix 2 – performance work in last year’s Audit Plan still in progress	16
Appendix 3 – national value-for-money studies	17
Appendix 4 – other future developments	19

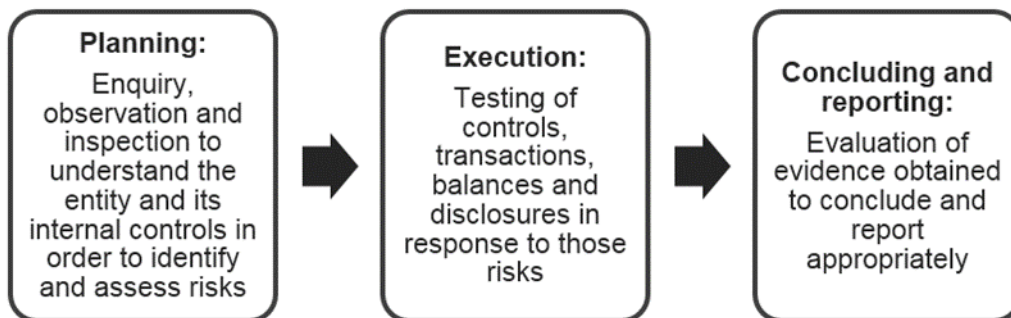
## Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
  - examine and certify whether your financial statements are ‘true and fair’;
  - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - audit and assess whether you have discharged duties and met requirements of the Measure; and
  - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it. I can confirm that there have been no limitations imposed on me in planning the scope of this audit. My responsibilities, along with those of management and ‘those charged with governance’, are set out in [Appendix 1](#).

## Financial audit

- 3 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’. I also consider whether or not South Wales Fire and Rescue Authority (the Fire Authority) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements. I am also responsible for the audit of the Authority’s Fire Fighters’ Pension Fund accounts.
- 4 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

### Exhibit 1: my audit approach



- 5 **Exhibit 2** sets out some of the main risks of material misstatement that my audit work to date has identified, together with a brief commentary on my proposed audit work. It is important to note that I have not sought to repeat within **Exhibit 2** all of the areas of risk that I reported in November 2016 in my 'Audit of Financial Statements Report'. These reported risks are relevant to the 2016-17 financial statements and this year's financial audit will therefore consider them and management's actions against my reported recommendations (see paragraph 8).

### Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<p>There is a risk that the financial statements do not agree to the underlying records. In 2015-16 I raised concerns about:</p> <ul style="list-style-type: none"> <li>• a large number of manual adjustments made outside of the Fire Authority's ledger and trial balance, with no supporting analysis and explanation of them; and</li> <li>• asset register entries not agreeing to the ledger or draft financial statements.</li> </ul>	<p>My audit team will review the financial statements to ensure they agree with the underlying financial records (the ledger's trial balance) and other relevant supporting information.</p>
<p>There is a risk that accounting practices and disclosures do not comply with the Code of Practice and other relevant guidance:</p> <ul style="list-style-type: none"> <li>• in 2015-16 I identified a number of areas of non-compliance relating to a range of transactions, balances and disclosures; and</li> <li>• for 2016-17, there are some changes to the Code of Practice, including the preparation of a revised comprehensive income and expenditure statement.</li> </ul>	<p>My audit team will review the Fire Authority's accounting practices and disclosures to ensure they comply with the Code of Practice and other relevant guidance.</p>

Financial audit risk	Proposed audit response
<p>The accounting treatment for property, plant and equipment is complex, increasing the risk of error or omission in the financial statements.</p> <p>In 2015-16 I raised concerns about the lack of an asset register for equipment and I recommended that the Fire Authority should:</p> <ul style="list-style-type: none"> <li>• revise its asset register so that it includes all relevant information, which fully meets the needs of the accounting policies in place and enables the preparation and audit of the annual financial statements; and</li> <li>• implement a robust process so that the Finance Team is routinely notified of all equipment asset disposals.</li> </ul>	<p>My audit team will review the accounting and disclosure of property, plant and equipment to ensure they are in line with relevant accounting standards.</p> <p>My audit team will also consider the progress made by the Fire Authority in updating the asset register for equipment, and in ensuring all equipment asset disposals are identified.</p>
<p>The Fire Authority participates in defined benefit pension schemes for both uniformed and non-uniformed employees. The accounting treatment for these schemes is complex, increasing the risk of error or omission in the financial statements.</p> <p>Last year I reported that the top-up grant received from the Welsh Government in respect of the Fire Fighters' Pension Fund was not treated in line with the Code of Practice, which remains a risk for 2016-17. This treatment will need to be considered when preparing the 2016-17 financial statements.</p>	<p>My audit team will review the accounting and disclosure of the pension schemes to ensure they are in line with the relevant accounting standards.</p>
<p>The Fire Authority is working with Mid and West Wales Fire and Rescue Authority and South Wales Police to deliver the Joint Public Service Centre Project. We understand that the collaboration agreement still remains a 'working draft' that is unsigned, making it difficult to determine the appropriate accounting treatment of transactions and balances in the financial statements. Given this, there is a risk that such balances and transactions may be incorrectly accounted for in the financial statements.</p>	<p>My audit team will review the Joint Public Service Centre transactions, balances and disclosures to ensure that they are materially accurate.</p>

Financial audit risk	Proposed audit response
<p>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, paragraphs 31 to 33 <a href="http://www.ifac.org/system/files/downloads/a012-2010-iaasb-handbook-isa-240.pdf">http://www.ifac.org/system/files/downloads/a012-2010-iaasb-handbook-isa-240.pdf</a>]</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions that the audit identifies that could potentially be outside the normal course of business.</li> </ul>
<p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240, paragraphs 26 to 27 – see the above link to ISA 240].</p>	<p>My audit team will consider the Fire Authority's income streams and assess whether there is a risk of material misstatement due to fraud related to revenue recognition. Where such risks exist, specific testing will be undertaken.</p>

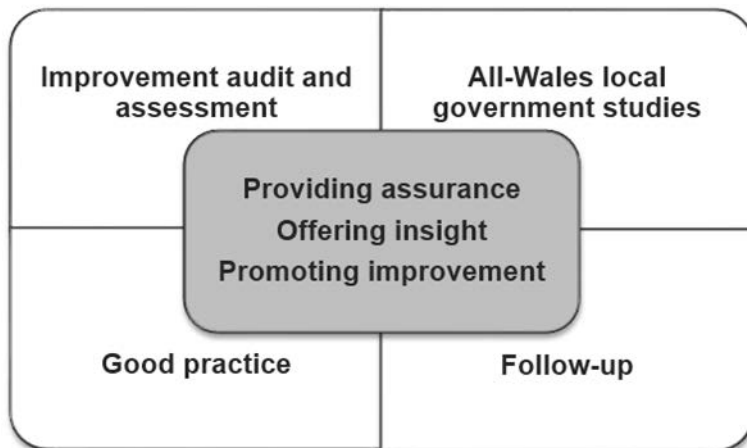
- 6 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Fire Authority prior to completion of the audit.
- 7 For reporting purposes and under the relevant auditing standards, I will treat any misstatements below a 'trivial' level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 8 My fees are based on the following assumptions:
- management has implemented their agreed actions in respect of the 2015-16 audit recommendations, by the agreed dates;
  - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit, this is particularly important given the planned departure and leave of two key members of the Finance Department;

- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

## Performance audit

9 The components of my performance audit work are shown in [Exhibit 3](#).

**Exhibit 3: components of my performance audit work**



- 10 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and Local Government Reform remains under consideration.
- 11 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 12 During 2016 I consulted with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
  - offering insight on the extent to which resources are used wisely in meeting people's needs; and
  - identifying and promoting ways by which the provision of public services may be improved.



- 13 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of Local Government Studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 4** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in Annual Improvement Reports depending on the timing and the focus of conclusions.

#### Exhibit 4 Local Government Studies

Study	Status
<b>2015-16 studies</b>	
Community Safety	Published October 2016
Income Generation and Charging	Published November 2016
Council funding of third sector services	Published January 2017
<b>2016-17 studies</b>	
How local government manages demand	Fieldwork
Strategic Commissioning	Fieldwork
Improving wellbeing through housing adaptations	Fieldwork

- 14 Taking all these factors into consideration, **Exhibit 5** sets out my 2017-18 programme of work.

#### Exhibit 5: performance audit programme

Performance Audit Programme	Brief description
Improvement audit and assessment work including: <ul style="list-style-type: none"> <li>• Improvement Planning and reporting audit</li> <li>• Follow-up of local and national proposals for improvement/recommendations</li> <li>• Local risk-based projects – TBC</li> <li>• Annual Improvement Report</li> </ul>	<ul style="list-style-type: none"> <li>• Basic certification of improvement plan and annual report.</li> <li>• Follow-up review of a sample of local and national proposals for improvement/recommendations.</li> <li>• Project briefs will be shared prior to commencement of project work.</li> <li>• Summary of performance audit work undertaken in the year.</li> </ul>

Performance Audit Programme	Brief description
WFG baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.
WFG Scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including PSB scrutiny, facilitating improvement and the sharing of good practice.

- 15 The Performance Audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

## Fee, audit team and timetable

### Fee

- 16 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: <http://www.audit.wales/publication/fee-scheme-2017-18>.
- 17 Your estimated fee for 2017 is set out in [Exhibit 6](#). This year's fee estimate of £57,022 for the audit of the accounts is based on my Fee Scheme. The estimate has been based on the median position for the Fire Authority (see page 19 of the Fee Scheme that is linked within paragraph 16).
- 18 If all of the assumptions at paragraph 8 are met and the Fire Authority also delivers its draft accounts and all supporting documentation to an acceptable standard, then the chargeable audit fee may be lower than the estimate. Conversely, if we experience significant problems with the accounts, supporting documentation, or the assumptions that we have set out, then the chargeable audit fee may be higher than the estimate.

### Exhibit 6: audit fee

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of accounts <sup>2</sup>	57,022	65,000
Performance audit work: <sup>3</sup>	15,274	15,292
Well-being of Future Generations (Wales) Act 2015 pilot work <sup>4</sup>	0	N/A
Well-being of Future Generations (Wales) Act 2015 Year One Commentary <sup>4</sup>	1,953	N/A
<b>Total fee</b>	<b>74,249</b>	<b>80,292</b>

#### Notes:

- <sup>1</sup> The fees shown in this document are exclusive of VAT, which is no longer charged to you
- <sup>2</sup> Payable November 2016 to October 2017
- <sup>3</sup> Payable April 2017 to March 2018
- <sup>4</sup> See 'Future Developments' below

- 19 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 Fire Authority.

### Audit team

- 20 The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

#### Exhibit 7: my team

Name	Role	Contact number	E-mail address
Jane Holownia	Engagement Director	02920 320565	jane.holownia@audit.wales
Mark Jones	Financial Audit Engagement Lead	02920 320631	mark.jones@audit.wales
Alison Butler	Financial Audit Manager	02920320665	alison.butler@audit.wales
Alexis Smith	Financial Audit Team Leader	02920 320643	alexis.smith@audit.wales
Andy Bruce	Performance Audit Manager	07919 164779	andy.bruce@audit.wales

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

## Timetable

- 22 I will provide reports, or other outputs as agreed, to the Fire Authority covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

### Exhibit 8: timetable

Planned output	Work undertaken	Report finalised
<b>2017 Audit Plan</b>	January – March 2017	March 2017
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>Audit of Financial Statements Report</li> <li>Opinion on Financial Statements</li> </ul>	February – September 2017	September 2017 September 2017
<b>Performance work:</b> Programme will be finalised as soon as practicable: See paragraphs 13 to 18 above	April 2017 to March 2018	June 2018
Annual Improvement Report	Throughout the year	June 2018
WFG: pilot work	To be announced	N/A
WFG: year one commentary	To be announced	N/A

\* Subject to timely clearance of draft findings with the Fire Authority

## Future developments to my audit work

### Well-being of Future Generations (Wales) Act 2015

- 23 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017, I will conduct my first work under the Act – the Year One Commentary - to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies,

one of which is the Fire Authority, in order to help develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

## Other

- 24 Details of other future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 25 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- The challenges posed by indirectly provided, publicly funded services in Wales;
  - How you Manage Risk around Organisation Change, Service Transformation and Innovation; and
  - Measuring Outcomes: who's doing it and how (linked to Well-Being of Future Generations Act).

## Respective responsibilities

### Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their ‘truth and fairness’, providing assurance that they:
  - are free from material misstatement, whether caused by fraud or error;
  - comply with the statutory and other applicable requirements; and
  - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Narrative Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Fire Authority’s system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Fire Authority’s financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Fire Authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

## Performance audit

The Measure places a general duty on improvement authorities to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

## Performance work in last year's Audit Plan still in progress

Exhibit 9: work still in progress

Performance audit project	Status	Comment
Asset management review of land, buildings and sharing facilities	Complete	To be reported locally and in the Annual Improvement Report – May 2017



## National value-for-money studies

The Fire Authority may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the Committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd., I am considering a broader examination of the Welsh Government's support for business.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

### Exhibit 10: national value-for-money studies

Topic	Anticipated publication (as at 3 January 2017)
Outpatient follow-up appointments	February 2017
Governance and oversight of arms-length bodies (discussion paper)	February 2017
Welsh Government oversight of further education institutions' finances and delivery	March 2017
Circuit of Wales	February 2017
Emergency ambulance services commissioning	February 2017
21 <sup>st</sup> century schools and education programme	March 2017
Public procurement landscape review	April-July 2017
Waste management (waste prevention)	April-July 2017
Waste management (municipal recycling) <sup>2</sup>	April-July 2017

<sup>2</sup> In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

Topic	Anticipated publication (as at 3 January 2017)
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning)	April-July 2017
Supporting People programme	April-July 2017
NHS Wales informatics services	April-July 2017
Access to public services with the support of specialist interpretation and translation	Aug-Oct 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	Aug-Oct 2017
Early intervention and behaviour change	To be confirmed <sup>3</sup>

<sup>3</sup> My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

## Other future developments

Exhibit 11: forthcoming key IFRS changes

Standard	Effective date	Further details
<b>IFRS 9 Financial instruments</b>	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
<b>IFRS 15 Revenue from contracts with customers</b>	2018-19	IFRS 15 Revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
<b>IFRS 16 Leases</b>	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

## Good Practice Exchange (GPX)

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared on line.

The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found at <http://www.audit.wales/good-practice>. Registration for all events will open two months prior to the event.



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**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER & THE INTERNAL AUDITORS

AGENDA ITEM NO 11  
3 APRIL 2017

**INTERNAL AUDITORS ANNUAL REPORT YEAR ENDING 31 MARCH 2017**

**SUMMARY**

This report summarises the Internal Audit work that has been undertaken this year.

**RECOMMENDATION**

That Members note the work and overall opinion of the Internal Auditors for the financial year 2016/2017

**1. BACKGROUND**

- 1.1 As Members will be aware TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Action Plan which was approved by this Committee on 7 March 2016.

**2. ISSUE**

- 2.1 During the year Members have received regular reports updating them on progress being made against the Plan and this report summarises for Members the outcomes of all the audits undertaken.
- 2.2 Throughout the Financial Year 2016/17, the 10 planned audits (70 days) were undertaken within scheduled timescales.
- 2.3 Based on the evidence provided the Internal Auditor is able to draw a reasonable conclusion as to the adequacy and effectiveness of the South Wales Fire & Rescue Service's risk management, control and governance processes.
- 2.4 The Internal Auditor's opinion for the year will support the Annual Governance Statement, which will be considered by the Finance, Audit & Performance Management Working Group prior to inclusion in the Annual Statement of Accounts.

**3. EQUALITY RISK ASSESSMENT**

- 3.1 The issues raised within this report have no adverse impact on the protected characteristics, and would have been considered during the audit process.

#### 4. RECOMMENDATION

- 4.1 That Members note the work and findings of the Internal Auditors for 2016/2017.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Internal Auditors Annual Report Year ending 31 March 2017





## South Wales Fire and Rescue Service

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### Internal Audit Annual Report 2016/17

## Internal Audit Annual Report

### INTRODUCTION

This is the 2016/17 Annual Report by TIAA on the internal control environment at South Wales Fire and Rescue Service. The annual internal audit report summaries the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report is designed to assist the Service in making its annual governance statement.

#### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of South Wales Fire and Rescue Service's risk management, control and governance processes. In my opinion, South Wales Fire and Rescue Service has adequate and effective management, control and governance processes to manage the achievement of its objectives.**

### INTERNAL AUDIT PLANNED COVERAGE AND OUTPUT

The 2016/17 Annual Audit Plan approved by the Finance, Audit and Performance Committee was for 70 days of internal audit coverage in the year. During the year there were no changes to the Audit Plan.

All the planned work has been carried out and the reports have been issued (Annex A).

A review of allowances required one additional day, which was agreed by management in order to provide a more informed view of the arrangements in operation. An additional day was assigned to carry out a stock-take which was in addition to the work set out in the Annual Audit Plan.

### ASSURANCE

TIAA carried out ten reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Authority's objectives. Each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. We also attended the stocktake and undertook a follow up review in year. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	3	1
Reasonable Assurance	7	8
Limited Assurance	-	-
No Assurance	-	-

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2016/17.

Urgent	Important	Routine
1	13	18

**AUDIT SUMMARY**

**Control weaknesses:** There were no areas reviewed by internal audit where it was assessed that the effectiveness of the internal control arrangements provided 'limited' or 'no assurance'.

In instances where 'reasonable' or 'substantial' assurance was reported recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed	0	0	2
Compliance	1	8	10
Operational	0	4	5
Reputational	0	1	1

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
11

**INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT**

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

**PERFORMANCE AND QUALITY ASSURANCE**

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	95%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2016 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

**RELEASE OF REPORT**

The table below sets out the history of this Annual Report.

Date Report issued:	22 <sup>nd</sup> February 2017
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## Annexes

## Annex A

## Actual against planned Internal Audit Work 2016/17

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Risk Mitigation	Appraisal	6	6	Reasonable	Final Report issued
Allowances	Compliance	6	7	Reasonable	Final Report issued
Governance – Performance Management	Compliance	6	6	Substantial	Final Report issued
Procurement	Assurance	6	6	Substantial	Final Report issued
Estate Management - Strategy	Appraisal	6	6	Reasonable	Final Report issued
ICT Security – Management Controls including post project review of Virtual Desktop Infrastructure.	Assurance	5	5	Reasonable	Final Report issued
Governance – Internal Communications	Assurance	6	6	Reasonable	Final Report issued
Station Visits	Regularity / Compliance	4	4	Fuel & Fuel Cards – Reasonable Purchasing – Substantial Overtime, Roster, Sickness and Training - Substantial	Final Report issued
HR - Training	Assurance	6	6	Reasonable	Final Report issued
Key Financial Controls	Compliance	6	6	Substantial	Final Report issued
Stock Checks		-	1	-	No Report required
Follow Up		3	3	-	Final report issued
2016/17 Annual Plan		1	1	-	Final Report issued
Strategic Plan		1	1	-	
2016/17 Annual Report		1	1	-	Final Report issued
Audit Management		7	7	-	
	<b>Total Days</b>	<b>70</b>	<b>72</b>		

## **INTERNAL AUDIT PROGRESS REPORT 2016/2017**

### **SUMMARY**

This report updates Members upon progress being made against the Internal Audit Plan 2016/2017.

### **RECOMMENDATION**

Members are asked to note internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

## **1. BACKGROUND**

- 1.1 As Members will be aware, TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2016/2017 which was approved by this Committee on 7 March 2016.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assurance will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

## **2. ISSUE**

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with **five** final reports being issued. The areas covered are **Station Visits, HR Training, Governance - Internal Communications, Key Financial Controls, and Follow Up**. The Summary Internal Audit Progress Report written by TIAA Limited is attached as Appendix 1.

### **2.2 Station Visits**

- 2.2.1 Compliance checks were undertaken against a range of financial controls and non-financial activities at three Fire & Rescue Stations.
- 2.2.2 Two areas received a substantial level of assurance, and one area was assessed as a reasonable assurance. Across the activities ten recommendations have been made with two areas of operational effectiveness identified.

## 2.3 HR Training

2.3.1 The review considered the arrangements for determining the Service's training requirements, the monitoring arrangements in place, and the reporting of information to the Senior Management Team and Fire & Rescue Authority.

2.3.2 The audit received a reasonable level of assurance with two recommendations made.

## 2.4 Governance – Internal Communications

2.4.1 The review considered the effectiveness of the organisation's internal communication arrangements, and wider communication strategy.

2.4.2 This audit received a reasonable level of assurance with six recommendations, two important, two routine, and two areas of operational effectiveness.

## 2.5 Key Financial Controls

2.5.1 This review considered the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Service's requirements. Budgetary Control, General Ledger, Cash, Banking and Treasury Management, Cash Flow Planning, Income & Debtors, Payments, Payroll, and Security of Assets.

2.5.2 The audit received a substantial level of assurance with two routine recommendations, and one area of operation effectiveness identified.

## 2.6 Follow Up

2.6.1 The 'Follow Up' audit reviewed all actions and progress made in respect of previous audit reports which had identified priority 1 and 2 recommendations. This included recommendations made in the previous financial year which required actions in 2016/2017.

2.6.2 The auditors found that good progress had been made against the recommendations with 76% having been completed and the remainder having a revised target date set for completion or no longer applicable. There were no areas identified where recommendations had not been completed or acted upon.

### 3 EQUALITY RISK ASSESSMENT

- 3.1 The issues raised within this report have no adverse impact on the protected characteristics, and would have been considered during the audit process.

### 4 RECOMMENDATION

- 4.1 Members are asked to note the internal audit recommendations, and work completed to date on the Internal Audit Annual Plan.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Summary Internal Audit Progress Report Appendix 2 – Station Visits Appendix 3 – HR Training Appendix 4 – Governance Internal Communications Appendix 5 – Key Financial Controls Appendix 6 – Follow Up







## South Wales Fire and Rescue Service

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### Summary Internal Controls Assurance (SICA) Report

2016/17

## INTRODUCTION

1. This summary report provides the Finance Audit and Performance Committee with an update on the progress of our work at South Wales Fire and Rescue Services as at 22nd February 2017.

## PROGRESS AGAINST THE 2016/17 ANNUAL PLAN

2. Our progress against the Annual Plan for 2016-17 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

## INTERNAL CONTROL FRAMEWORK

3. The key strategic governance, risk management and control matters identified from the reviews completed for the year to date are summarised in figure 1 below. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

*Figure 1 - Key Strategic Governance, Risk Management and Control Matters*

Review	High level
HR Management - Training	<p>Each year the training and development department produces a training planner, which is presented to the Fire and Rescue Authority's HR and Equalities Committee.</p> <p>It was confirmed that the Senior Management Team receive no routine reports on the service's training activities and associated compliance.</p> <p>Through a number of systems in operation, the central staffing team match operational personnel to available courses programmed within the training planner.</p> <p>A request for compliance information associated with breathing apparatus requalification training, highlighted the weaknesses in the ability to extract robust management information from the systems in operations.</p> <p>Following further internal investigation into the members of staff listed on the initial compliance report, it was identified that 4 WDS personnel were out of compliance with breathing apparatus requalification training.</p>

Review	High level
<p><b>Internal Communications</b></p>	<p>The in-house Media and Communications Team offers a variety of support to the wider service.</p> <p>There appears to be a lack of appreciation by the wider departments within the service of the conflicting pressures faced by the team and it was evident that better planning for communication requests would alleviate some of the pressures placed on the team.</p> <p>To assist in remedying the issue the senior management team should consider and endorse the draft communications and engagement strategy, so to inform the wider organisation of the remit of the team.</p> <p>There are a significant number of matters that will implicate further on the pressures placed upon the team in 2017, principally the Welsh Language Standards and requirements of the Data Protection Act.</p> <p>There are opportunities to enhance the internal communication arrangements between the Media and Communications Team and Control Personnel, which were highlighted through the Multi-Agency Red Kite Exercise.</p>
<p><b>Station Visits</b></p>	<p>The significant control issues identified were:</p> <ul style="list-style-type: none"> <li>Security of the premises at Caldicot station</li> <li>Lack of compliance in relation to undertaking routine emergency lighting, fire alarm tests and fire extinguisher checks</li> <li>Fire doors left open at Caldicot and Merthyr stations</li> <li>Community stock storeroom door left open at Aberdare.</li> </ul>

Review	High level
Key Financial Controls	<p>The Service has effective segregation of duties and key financial controls in place.</p> <p>Comprehensive Management Accounts are provided to the Finance, Audit &amp; Performance Committee in a timely manner.</p>

### EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

4. We have identified no emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the organisation in our work to date for the year.

### AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. The table below sets out details of audits finalised since the previous meeting of the Finance, Audit and Performance Management Committee for 2016/17.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
HR Management - Training	Reasonable	20/10/2016	07/11/2016	09/11/2016	0	2	0	0
Internal Communications	Reasonable	31/10/2016	22/11/2016	24/11/2016	0	2	2	2
Station Visits	Various	10/10/2016	23/11/2016	24/11/2016	1	3	6	2
Key Financial Controls	Substantial	23/01/2017	13/02/2017	15/02/2017	0	0	2	1

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Follow Up	Good progress	15/02/2017	21/02/2017	22/02/2017	Previous reported			

**CHANGES TO THE ANNUAL PLAN 2016/17**

6. There are no changes proposed to the Annual Plan at this time, current progress is reported at Appendix A.

**FRAUDS/IRREGULARITIES**

7. We have not been advised of any frauds or irregularities relating to the 2016/17 year to date.

**LIAISON**

8. **Liaison with external audit:** We have ongoing liaison with the Wales Audit Office. We have not had any discussions relating to 2016/17 to date.

**PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS**

9. We have made one Priority 1 recommendations (i.e. fundamental control issues on which action should be taken immediately) since the previous SICA. The current position in relation to the implementation of this recommendation is reported at Appendix B.

## RESPONSIBILITY/DISCLAIMER

10. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.





## Progress against the Annual Plan for 2016/17

System	Planned Quarter	Days	Revised Quarter	Current Status	Comments
Risk Mitigation arrangements	1 3 <sup>rd</sup> – 6 <sup>th</sup> May 2016	6	1	Final report issued	
Allowances	1 16 <sup>th</sup> – 19 <sup>th</sup> May 2016	6	1	Final report issued	
Governance – Performance Management	1 31 <sup>st</sup> May – 3 <sup>rd</sup> June 2016	6	1	Final report issued	
Procurement	1 20 <sup>th</sup> – 23 <sup>rd</sup> June 2016	6	1	Final report issued	
Estate Management Strategy	2 11 <sup>th</sup> – 14 <sup>th</sup> July 2016	6	2	Final report issued	
ICT Security – Management Controls including post project review of Virtual Desktop Infrastructure (VDI).	3 26 <sup>th</sup> – 28 <sup>th</sup> September 2016	5	2	Final report issued	The VDI project was not reviewed as not completed.

System	Planned Quarter	Days	Revised Quarter	Current Status	Comments
Governance – Internal Communications	3 17 <sup>th</sup> – 20 <sup>th</sup> October 2016	6	3	Final report issued	
Station Visits	3 3 <sup>rd</sup> – 6 <sup>th</sup> October 2016	4	3	Final report issued	
HR - Training	3 3 <sup>rd</sup> – 6 <sup>th</sup> October 2016	6	3	Final report issued	
Key Financial Controls	4 3 <sup>rd</sup> – 6 <sup>th</sup> January 2017	6	4	Final report issued	
Follow Up	4 23 <sup>rd</sup> – 25 <sup>th</sup> January 2017	3	4	Final report issued	
2016/17 Annual Plan	1	1		Final report issued	
Strategic Plan	1	1		Final report issued	
2016/17 Annual Report	4	1		Final report issued	
Audit Management	1-4	7			



KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

## Recommendations – Priority 1 Only

Audit Report: Station Visits  
Final Report Issued: 1st June 2016

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	On arrival at Caldicot the station was found to be insecure as the rear exit door was wedged open with a 'kettlebell'. On entering through this door and it was noted that on the door leading to the gym, which led to the appliance bay, was wedged open. Near to the entrance was stairs leading to two offices with both doors wedged open with chairs. TIAA proceeded to the Watch Managers office near the main entrance where the Watch Manager and a colleague were present. The rest of the Retained team were out on an emergency call-out. It is concerning that given the current UK terror threat is	The rear exit door at Caldicot be kept closed to ensure security is paramount especially given the 'Heightened' Security status level. Security be reinforced across all stations.	1	<p><u>Original Management Comment</u></p> <p>The Station Commander has met with his Station Management Team and re emphasised the Service policy on Station Security. Further non compliance of station security may now lead to disciplinary procedures taken against those responsible.</p> <p>Security spot checks around the service area including Caldicot will be carried out by the OAST when travelling through the Service area.</p> <p>A follow up check on the security at Caldicot was</p>	<p>Immediately</p> <p>Routinely</p>	<p>Station Commander</p> <p>OAST Manager</p>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>'Severe' and South Wales Fire and Rescue Service security level status is 'Heightened' that this breach of security was present.</p>			<p><i>conducted on the 24<sup>th</sup> of November and none of the previously reported issues were in evidence, the station was secure.</i></p> <p><u><i>Auditor Comment</i></u></p> <p><i>Based on management representation this is considered implemented.</i></p>		





## **South Wales Fire and Rescue Service**

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### **Regularity Review – Station Visits**

**2016/17**

## Regularity Review – Station Visits

### Executive Summary

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#### INTRODUCTION

1. This is the fifth regularity review undertaken by TIAA of fire stations. The stations visited were Caldicot, Aberdare and Merthyr. The review was carried out in October 2016.

#### SUMMARY

2. For each of the financial activities tested for compliance with controls the assessments were as follows:

System	Assessment
Petty Cash	Not Applicable
Other Income	Not Applicable
Purchasing	Substantial
Fuel and Fuel Cards	Reasonable
Overtime, Roster, Sickness and Training	Substantial

3. Compliance checks were carried on a range of non-financial aspects of the operation of the stations. Assessments were not given on these areas as the checks do not include all aspects of these operations. However, the table below highlights those areas where recommendations made are either Priority 1 or 2, and this is indicative that urgent changes to some of the internal controls in these areas are required.

System	Recommendations	
	1	2
Policies and Procedures	-	-
Building & Equipment	-	1
Health and Safety	-	-
Security – ICT	-	-
Security – Access and Physical Security	1	1
Assets and Inventories	-	-
Catering	-	-
Transport	-	-
Community Stock	-	1
Incident Reporting System	-	-

## KEY FINDINGS

4. The significant control issues identified were:
- Security of the premises at Caldicot station
  - Lack of compliance in relation to undertaking routine emergency lighting, fire alarm tests and fire extinguisher checks
  - Fire doors left open at Caldicot and Merthyr stations
  - Community stock storeroom door left open at Aberdare

**RELEASE OF REPORT**

5. The table below sets out the history of this report.

<b>Date draft report issued:</b>	10 <sup>th</sup> October 2016
<b>Date management responses recd:</b>	23 <sup>rd</sup> November 2016
<b>Date final report issued:</b>	24 <sup>th</sup> November 2016
<b>Date revised final report issued:</b>	30 <sup>th</sup> November 2016



## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Fuel Cards</b>						
1	All stations have been provided with key safes where all keys and fuel cards are to be securely stored. At Caldicot the Fuel card was kept on the appliance as this is a RDS station but kept in the key safes at both Aberdare and Merthyr. Although stations have been verbally advised to keep the card secure in the key safe, there is currently no defined procedure taking into account RDS stations where it may be impractical to keep the card in the safe if there is an emergency 'call-out'. However, there needs to be clearly defined	Procedures be developed to set out where fuel cards are to be kept at both Wholetime and Retained stations so that there is a consistent approach. The Procedure could be included within any existing relevant station security procedure rather than developing another separate procedure.	3	<i>All fuel cards will now be secured in the Stations Key Safe's until required on both WDS and RDS Stations, and then returned to the Key Safe following use. The responsibility for the fuel card when This has been incorporated into the Station Procedures document as an amendment and will be audited on our internal Station Audit Inspection programme. Station Commanders will monitor.</i>	<i>Immediately</i>	<i>Station Commander OAST Manager</i>

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
	procedure to keep the card in a secure area on the appliance/vehicle.					
2	Whenever the fuel cards are used the details must be recorded on an S-9 form with receipts attached. The S-9 form is completed manually or electronically and sent to Headquarters on a monthly basis. A review of the books at each station revealed that the fully completed with receipts attached, except at Aberdare where the mileage details were found to be intermittently recorded.	Mileage of vehicles at Aberdare be recorded on the S-9 form in accordance with procedures.	3	<i>Monitoring of the documentation that is filled in following use of the Fuel Card will be an element of the internal Audit Inspection Programme. This has been added and emphasised in the Station Procedures document. A sequence of spot checks at Aberdare station will be conducted by the OAST to ensure compliance. Station Commanders to monitor.</i>	<i>Immediately</i>	Station Commander  OAST Manager

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Building and Equipment</b>						
3	<p>All Fire stations have been instructed to maintain a SWFRS log book for recording weekly fire alarm tests and monthly emergency lighting tests and firefighting equipment checks. Testing of the log books revealed the following:</p> <ul style="list-style-type: none"> <li>- Caldicot – No evidence of weekly alarm tests entries, monthly emergency lighting tests and no fire equipment checks.</li> <li>- Aberdare – Weekly fire alarm tests completed but no evidence of emergency lighting tests completed in April and May in the old book and no tests in August and September in new book. Also no evidence of fire extinguishers checks.</li> </ul>	<p>Emergency lighting and fire extinguisher tests be carried out on a monthly basis and fire alarms weekly in accordance with the procedures set out in the Log book. All stations must ensure that they complete the necessary checks in order to raise awareness and reduce exposure to risk.</p>	2	<p><i>All stations have been issued the SWFRS Fire Alarm Logbook for consistency around the Service. The company that maintain our internal fire alarm systems have been instructed not to leave their log books on station following maintenance inspections or servicing. This will be monitored on our internal Station Audit programme and by the Station Commander.</i></p>	<p><i>Immediately</i></p>	<p><i>Station Commander</i></p> <p><i>OAST Manager</i></p>

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
	- Merthyr - No weekly fire alarm tests since July 2016, no monthly emergency lighting tests and no fire equipment checks.					
<b>Health and Safety</b>						
4	<p>First Aid boxes were readily available at all stations. Checks were completed and the following identified:</p> <ul style="list-style-type: none"> <li>- At Caldicot in the downstairs office were all in date. However, it was noted that there was no control sheet to identify when it was last checked/replenished.</li> <li>- At Merthyr there were 3 items out of date, two cleansing wipes with expiry dates of 07/2012 and a bandage with an expiry date of 10/2013</li> </ul>	A periodic review be undertaken at all stations to confirm that the contents of the First Aid boxes are in date and a control sheet listing all items that should be present with the date it was last checked be recorded.	3	<i>Current Station Routine programme to reflect a robust system of turnover of consumables including First Aid equipment. An inventory for all FA equipment containers to be maintained at each station and checks to be conducted on Station Inspections and routinely by the Station Commander.</i>	<i>Immediately</i>	<p><i>Station Commander</i></p> <p><i>OAST Manager</i></p>

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Security – Access and Physical Security</b>						
5	<p>On arrival at Caldicot the station was found to be insecure as the rear exit door was wedged open with a 'kettlebell'. On entering through this door and it was noted that on the door leading to the gym, which led to the appliance bay, was wedged open. Near to the entrance was stairs leading to two offices with both doors wedged open with chairs. TIAA proceeded to the Watch Managers office near the main entrance where the Watch Manager and a colleague were present. The rest of the Retained team were out on an emergency call-out. It is concerning that given the current UK terror threat is 'Severe' and South Wales Fire and Rescue Service</p>	<p>The rear exit door at Caldicot be kept closed to ensure security is paramount especially given the 'Heightened' Security status level. Security be reinforced across all stations.</p>	1	<p><i>The Station Commander has met with his Station Management Team and re emphasised the Service policy on Station Security. Further non compliance of station security may now lead to disciplinary procedures taken against those responsible.</i></p> <p><i>Security spot checks around the service area including Caldicot will be carried out by the OAST when travelling through the Service area.</i></p> <p><i>A follow up check on the security at Caldicot was conducted on the 24<sup>th</sup> of November and none of the previously reported issues were in evidence, the station was secure.</i></p>	<p><i>Immediately</i></p> <p><i>Routinely</i></p>	<p><i>Station Commander</i></p> <p><i>OAST Manager</i></p>

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
	security level status is 'Heightened' that this breach of security was present.					
6	The stairs at Caldicot leading to two offices revealed two doors wedged open by chairs. These doors are fire doors and must be kept closed. It was also noted at Merthyr station that the door at the top of the main stairs leading to the conference and training room, which is also a fire door, was wedged open by a fire extinguisher. These malpractices contradicts the statement on the Services' website which states that "Fire doors are a critical element in fire safety and a requirement in every commercial, public and multiple occupancy building, and in some domestic situations too".	All fire doors at Caldicot, Merthyr and any other station be remained closed to ensure they serve their purpose.	2	<i>Station Commanders at those stations involved have briefed their station management teams on non compliance with FS regulations and the importance of being exemplar as an FRS location. Routine inspections as an element of their H&amp;S station management and when necessary to maintained by the station management team led by their Station Commander. Monitoring on station audit inspections will be conducted by the OAST.</i>	<i>Immediately</i>	Station Commander  OAST Manager

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Assets and Inventories</b>						
7	An Asset Inventory was obtained for Caldicot and Merthyr stations and a sample of ten assets were verified to the inventory. However, no Asset inventory could be obtained for Aberdare. The SC has been tasked with providing a list.	An Asset Inventory list be developed and maintained for Aberdare station.	3	<i>The Station Commander at Aberdare has met his station management team and the asset marking of all station non mobile equipment has commenced. The delay was due to the station being a new build and all new equipment delivered.</i>	01/01/17	Station Commander  RCT Group Manager
<b>Catering</b>						

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
8	There was no evidence of refrigerator and freezer temperature checks completed daily at Aberdare. The cook stated that visual sightings of the digital temperature displays are undertaken but not recorded.	Refrigerator and Freezer temperature checks be recorded as evidence of completion.	3	<p><i>A Fridge / Freezer log book has been provided to Aberdare for the cook. She has met with the Station Commander and understands that it is her responsibility to take routine and frequent temperature readings and record.</i></p> <p><i>Station Commander to monitor and added to station audit checklist.</i></p>	<i>Immediately</i>	<p><i>Station Commander</i></p> <p><i>OAST Manager</i></p>
<b>Community Stock</b>						



Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
9	Community stock was found to be securely held at both Caldicot and Merthyr stations. On arrival at Aberdare the storeroom door was found to be left ajar and on several occasions the room was revisited and each time the storeroom was not locked.	The Community stock storeroom at Aberdare be locked at all times when not in use.	2	<p><i>Station Commander has requested a new lock and key to be fitted to the stock room. In the interim, inventory checks and a temporary means for securing the door to be implemented immediately.</i></p> <p><i>Station Commander to monitor.</i></p>	<p><i>Interim arrangements immediately</i></p> <p><i>New lock by 15/12/16</i></p>	Station Commander

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Incident Reporting System (IRS)</b>						
10	<p>A review of the IRS system revealed the following:</p> <ul style="list-style-type: none"> <li>- At Caldicot – all incidents completed</li> <li>- At Aberdare there was one outstanding incident from 2<sup>nd</sup> August 2016, two others that were showing as outstanding but had been updated and have further queries.</li> <li>- At Merthyr Tydfil there were four outstanding incidents but these related to the beginning of October 2016</li> </ul>	<p>The one incident on the IRS system dated 2<sup>nd</sup> August 2016 at Aberdare station be completed in accordance with procedures.</p>	3	<p><i>A dedicated Group Manager has been appointed to review and ensure compliance of Service policy regarding IRS completion. Weekly reminders and more formal action to be taken against repeat offenders.</i></p>	<p><i>Immediately</i></p> <p><i>Routine monitoring</i></p>	<p><i>Group Manager Newport</i></p> <p><i>OAST Manager</i></p> <p><i>Station Commanders</i></p>

## Operational Effectiveness Matters

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Ref	Item	Management Comments
1	A decision be made as to which Log Book stations are to use to record weekly fire alarm tests and monthly emergency lighting tests and firefighting equipment checks, either the Services own Log Book or the contractors Log book.	<i>The service logbook to be used this will be included in policy documents for clarity.</i>
2	The driving licence for Firefighter 79911 be sighted and the relevant database update accordingly.	<i>Station Commander and their station management team to monitor and ensure records are maintained and current.</i>





## South Wales Fire and Rescue Service

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### Assurance Review of the HR – Training Arrangements

2016/17

## Executive Summary

OVERALL ASSURANCE ASSESSMENT	KEY FINDINGS								
	<ul style="list-style-type: none"> <li>• Each year the training and development department produces a training planner, which is presented to the Fire and Rescue Authority’s HR and Equalities Committee.</li> <li>• It was confirmed that the Senior Management Team receive no routine reports on the service’s training activities and associated compliance.</li> <li>• Through a number of systems in operation, the central staffing team match operational personnel to available courses programmed within the training planner.</li> <li>• A request for compliance information associated with breathing apparatus requalification training, highlighted the weaknesses in the ability to extract robust management information from the systems in operations.</li> <li>• Following further internal investigation into the members of staff listed on the initial compliance report, it was identified that 4 WDS personnel were out of compliance with breathing apparatus requalification training.</li> </ul>								
SCOPE	ACTION POINTS								
<p>The review considered the arrangements for: determining the training requirements; the monitoring arrangements; and reporting to the Senior Management Team and Authority.</p> <p>The scope of the review does not include verification that all staff have been correctly appraised or that all training needs have been correctly assessed, or the arrangements for provision of in-house training.</p>	<table border="1"> <thead> <tr> <th data-bbox="1167 1102 1395 1182">Urgent</th> <th data-bbox="1400 1102 1628 1182">Important</th> <th data-bbox="1632 1102 1861 1182">Routine</th> <th data-bbox="1865 1102 2094 1182">Operational</th> </tr> </thead> <tbody> <tr> <td data-bbox="1167 1185 1395 1265">0</td> <td data-bbox="1400 1185 1628 1265">2</td> <td data-bbox="1632 1185 1861 1265">0</td> <td data-bbox="1865 1185 2094 1265">0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	0	0
Urgent	Important	Routine	Operational						
0	2	0	0						

## Management Action Plan – Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	<p>A request was made for a report to determine the level of compliance of requalification and assessment in the use of breathing apparatus. The service's procedure requires relevant operational employees to attend a one day requalification course once every two years. It is appreciated that the requalification training is only one element of continuous training.</p> <p>To supplement the findings of the initial compliance report internal consideration was given to the training records, which identified four WDS individuals</p>	<p>The rationale for the four identified WDS individuals deemed out of compliance with the service's requirement to attend a breathing apparatus requalification and assessment course be determined, to identify any lessons to be learned to mitigate any future instances of non-compliance and the timeliness within which they are remedied.</p>	2	<p><i>Consideration given to the method as to how training is recorded to allow different departments to be able to access shared drives.</i></p>	<p><i>End of January 2017</i></p>	<p><i>AM Ian Greenman – Head of Training and Development</i></p>

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		<p>out of compliance.</p> <p>It was confirmed that the current system would have identified the individuals out of compliance, since they were re-booked to attend another course, but with opportunity to improve the timeliness of such arrangements.</p>					

## PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Reputational	Consideration as part of the scope of the review was to determine the reporting arrangements to senior management. It was confirmed that the senior management team do not routinely receive either quarterly or annual reports regarding the service's training arrangements and associated compliance.	The Senior Management Team at least annually be presented with a position statement of compliance with the service's training requirements.	2	<i>Procedures will now be put in place to ensure that SMT receive a quarterly update.</i>	<i>End of January 2017</i>	<i>AM Ian Greenman – Head of Training and Development</i>

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## Operational Effectiveness Action Plan

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Ref	Risk Area	Item	Management Comments
No operational effectiveness matters have been identified			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis



## South Wales Fire and Rescue Service

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# Assurance Review of the Governance – Internal Communication Arrangements 2016/17

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### KEY FINDINGS

- The in-house Media and Communications Team offers a variety of support to the wider service.
- There appears to be a lack of appreciation by the wider departments within the service of the conflicting pressures faced by the team and it was evident that better planning for communication requests would alleviate some of the pressures placed on the team.
- To assist in remedying the issue the senior management team should consider and endorse the draft communications and engagement strategy, so to inform the wider organisation of the remit of the team.
- There are a significant number of matters that will implicate further on the pressures placed upon the team in 2017, principally the Welsh Language Standards and requirements of the Data Protection Act.
- There are opportunities to enhance the internal communication arrangements between the Media and Communications Team and Control Personnel, which were highlighted through the Multi-Agency Red Kite Exercise.

SCOPE	ACTION POINTS			
<p>The scope of the review considered the effectiveness of the internal communication arrangements and wider communication strategy.</p>	<p><b>Urgent</b></p>	<p><b>Important</b></p>	<p><b>Routine</b></p>	<p><b>Operational</b></p>
	<p><b>0</b></p>	<p><b>2</b></p>	<p><b>2</b></p>	<p><b>2</b></p>

## Management Action Plan – Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	<p>In addition to planned activities, the media and communications team respond to requests which are received through an online form held on the intranet.</p> <p>It was evident through the course of the audit visit that the team are frequently balancing conflicting priorities to meet the demands placed upon the team.</p> <p>Eight recent examples were sighted of correspondence where requests had been placed on the team at short notice.</p> <p>In some of the examples it was evident that the work had been directed to another department within the service, which were subsequently reflected back to the media and communications team to deliver.</p>	To alleviate the conflicting pressures placed on the Media and Communications Team the wider teams within the service be reminded of the importance of allowing sufficient time for requests to be completed, when planning communications activity.	2	<p><i>The Media and Comms team do operate a Job Logging system which all staff are supposed to use to submit their requirements for media and comms support. This system does capture the majority of work requests but there are often last minute bespoke service requirements that does create undue pressure on the team. A number of reminders have been sent out in the past to all departments emphasising the need for timely and achievable requests. We will ensure these reminders are promulgated again to remind all of the need to follow the job logging process.</i></p>	01/02/17	<p>Fran Carpanini Temp Media and Comms Manager</p>

### PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.	<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.	<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Operational	<p>Prior to the audit an internal review had been undertaken of the media and communications team to determine if the current structure was fit for purpose, to support the service over future years when technologies are continuously evolving, which impact on the communication channels that the service engages with its stakeholders.</p> <p>A number of factors became evident through the course of the audit visit, which will further impact on the team in future years.</p>	<p>The intended restructure of the Media and Communications Team is to give consideration to the following factors; the Welsh Language Standards; additional Data Protection requirements to co-ordinate, maintain and manage consent forms for all moving imagery, photographs and audio recordings; the introduction of new bilingual intranet and internet sites; the synergies between the communication and engagement functions within the service; 24/7 support for media and communication activity; and the resilience of the senior roles within the media and communications team over forthcoming months..</p>	2	<p><i>The ongoing Service Structural review will consider all aspects of the Media and Comms current and future workload and the level of skill specialism's required within the team. A case will be made for a larger and improved structured team to deal appropriately with all media and communication issues.</i></p> <p><i>The considerations will include but are not limited to Welsh language, Data Protection, Revamped Internet and Intranet, synergies between comms and engagement, media and comms cover and resilience within the team.</i></p>	31/12/17	Dai Morris Head of SP&C

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The draft Communication and Engagement Strategy 2017-2020 details the arrangements for internal and external communication activity. Reference is given to the alignment with the service's Strategic Plan 2015 – 2020. The strategy emphasises the importance of protecting the service's reputation through an integrated approach to media and communication activity, to which the media and communications team play a key role.</p> <p>The service's previous communication strategy sighted on the service's intranet covered the period 2012–2014 which proceeded to cover subsequent years.</p>	<p>The Service, Performance and Communications Team continue as planned to finalise the Communications and Engagement Strategy 2017 – 2020 and seek endorsement from the Senior Management Team.</p>	3	<p><i>The comms element of the strategy has been completed and the engagement element of the strategy is in the proof reading stage. On completion of the proofing the two documents will be combined to form SWFRs Communication and Engagement Strategy. This will be passed through the Community Engagement Group for scrutiny and challenge and then presented for consideration and endorsement by the Senior Management Team.</i></p>	01/04/17	<p>Fran Carpanini Temp Media and Comms Manager</p>

## PRIORITY GRADINGS

1	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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2	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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3	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Reputational	<p>It has been agreed by the Media and Communications Team and Control that consideration needs to be given to the updating of Media Line and the methods of communication between both departments.</p> <p>Although the Media and Communications Team have sight of the Boss system there are some incidents which are restricted and they do not have sight of which can hinder relationships with the press, particularly if Media Line is also not up to date.</p> <p>Communication issues were reinforced by the Multi-Agency Red Kite Exercise undertaken earlier in the summer, which highlighted the need for there to be improved communication between Control and the Media and Communications Team.</p>	<p>Prior to the commencement of Joint Control there is opportunity to enhance the efficiency and effectiveness of the methods of communication between the service's Media and Communications Team and Control, which the service should look to remedy in keeping with the debrief recommendations from the Red Kite Multi-Agency Exercise.</p>	3	<p><i>These issues and concerns have been raised and discussed between both SWFRS and M&amp;WFRS to gain a consensus on future processes. T The Media and Comms lead in M&amp;WFRS is to discuss with the Head of Joint Service Centre. In addition, the Media and Comms Manager is to set up a meeting with Joint control to ensure all GIs, comms interfaces and policies are in place to ensure smooth and timely communications and notifications between both parties.</i></p>	28/02/17	<p><i>Fran Carpanini Temp Media and Comms Manager</i></p>

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

## Operational Effectiveness Action Plan

Ref	Risk Area	Item	Management Comments
1	Operational	In conjunction with recommendation three and the planned restructure of the Media and Communications Team, consideration be given to the resources required to deliver a new intranet and internet in a bilingual context, which will require a variety of skills from the point of design, development, implementation and maintenance.	<i>The internet and intranet work is being directed within a project structure and is managed by an Engagement, Transformation and Performance Officer. The project team will consider all aspects of the replacement platforms moving forward. This project will certainly include looking of the skills of the current team and those skills required in each phase of the renewal programme.</i>
2	Operational	In context with recommendation three and the planned restructure of the Media and Communications Team, consideration be given to the available resources within the team with the appropriate skill set to support any potential television productions, given that three potential opportunities are being discussed with both BBC Wales and ITV Wales for development through 2017, when the resilience of the senior resources within the team is uncertain.	<i>There is a clear drive to exploit the positive PR that can come from being presented through the national media, specifically when the leads are from major TV companies. There has been much interest in following our service via a major tv programme and it is essential that the restructure of the media and comms team take these and future requirement into consideration. These projects will be resource intensive and our concerns will be raised and taken into consideration when reviewing structure and skills.</i>



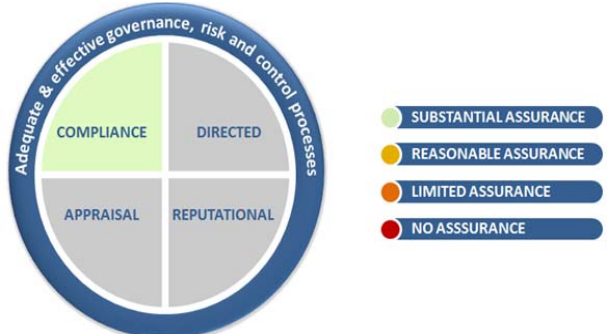
## South Wales Fire and Rescue Service

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### Compliance Review of the Key Financial Controls Arrangements

2016/17

## Executive Summary

<p><b>OVERALL ASSURANCE ASSESSMENT: SUBSTANTIAL</b></p> 	<p><b>KEY FINDINGS</b></p> <ul style="list-style-type: none"> <li>• <b>The Service has effective segregation of duties and key financial controls in place.</b></li> <li>• <b>Comprehensive Management Accounts are provided to the Finance, Audit &amp; Performance Committee in a timely manner.</b></li> </ul>								
<p><b>SCOPE</b></p> <p>This review considered the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Service's requirements Budgetary control, General ledger, Cash, banking &amp; treasury management, Cash flow planning, Income &amp; Debtors, Payments, Payroll and Security of assets.</p>	<p><b>ACTION POINTS</b></p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0</td> <td>2</td> <td>1</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	2	1
Urgent	Important	Routine	Operational						
0	0	2	1						

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The review of a sample of debts aged greater than 120 days at 16th December 2016 identified that there was limited information documented after the initial recovery letters. Discussion with officers noted that outstanding debts are reviewed on a fortnightly basis in line with recovery procedures, however, where officers are aware that a supplier is, for example, in contact with Finance or where Finance are awaiting further information, a record of this is not always made on the e-Fin history each time.	All action taken to recover outstanding debts be recorded on the e-Fin history including when a decision has been made to delay further recovery action.	3	<i>Finance staff will update Credit Control narrative history for each outstanding debt when reviewed bi-weekly including comment on debtors that are not being chased due to known circumstances.</i>	01/02/17	Financial Accountant

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Within the sample, one sales invoice relating to the arrangements for recovering of amounts owed by the supplier of vending machines (Supplier: 1662; Sales Invoice: 10001141) was selected. It was noted that no formal agreement was in place in regard to how the amounts owed are to be recovered. Discussion with Finance and Procurement officers identified a need to reconcile the amounts owed by the supplier and make subsequent arrangements to recover the amounts owed by the supplier.	A reconciliation of the amounts owed by the supplier of vending machines be undertaken and arrangements be made to recover the amounts owed by the supplier.	3	<i>Finance have completed a reconciliation of this debtor balance accounting for amounts owed inclusive of the cash box refunds due. As at 01/02/17, the supplier of vending machines owed £161.31 for historic debt. There is one final payment due on 01/03/17 to bring the account up to date. On that basis, no additional arrangements for recovery are required. Ongoing current/future refunds vary in amount and will be recovered in line with the normal debt recovery procedures.</i>	01/02/17	Financial Accountant

## PRIORITY GRADINGS

1

**URGENT**

Fundamental control issue on which action should be taken immediately.

2

**IMPORTANT**

Control issue on which action should be taken at the earliest opportunity.

3

**ROUTINE**

Control issue on which action should be taken.

## Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Compliance	Cardholders be reminded that Barclaycard transactions need to be coded within 3 months of incurring expenditure in accordance with the Purchasing Card Agreement.	<i>The Barclaycard Portal continues to send automatic weekly reminders to card users and approvers to code up transactions, provide receipts and approve. In addition, Finance continue to manually chase individuals that exceed 3 months between incurring expenditure and coding on portal (including receipts upload). In instances of persistent non-compliance, Finance make clear to these individuals by email (telephone if required) that cards will be temporarily blocked or permanently removed unless they demonstrate compliance with the Purchasing Card Agreement.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis







## South Wales Fire and Rescue Service

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### Follow Up Review

2016/17

## Executive Summary

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### INTRODUCTION

1. This follow up review by TIAA established the management action that has been taken in respect of the priority 1 and 2 recommendations arising from the internal audit reviews listed below at South Wales Fire and Rescue Service. The review was carried out in January 2017.

Review	Year	Date Presented to Finance, Audit and Performance Committee
Governance – Partnerships	2015-2016	November 2015
Health and Safety	2015-2016	March 2016
Estates Management – Energy	2015-2016	March 2016
HR Training	2015-2016	April 2017
Follow up 2015-16	2015-2016	July 2016
New HR Payroll System	2015-2016	July 2016
Key Financial Controls	2015-2016	July 2016
Fuel Card Investigation	2016-2017	July 2016
Allowances	2016-2017	September 2016
ICT Security Management Controls	2016-2017	December 2016
Estate Management Strategy	2016-2017	December 2016

**KEY FINDINGS**

- The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss. From the work carried out the following evaluations of the progress of the management actions taken to date have been identified.

Evaluation	Number of Recommendations
Implemented	15
In Process of Being Implemented	1
Revised Target Date	5
Considered but not Implemented	4
No Longer Applicable	4
Not Implemented	-

- There has been very good progress with the completion of the recommendations with 76% being implemented or work was progressing on implementing the recommendations by the original target dates set. 24% of the recommendations have been given revised target dates and these need to be completed by the new dates set. There were four recommendations that were considered by management but not implemented and four recommendations which were no longer applicable. The appropriate reasons were provided by management, the detail of which is provided within this report.

**SCOPE AND LIMITATIONS OF THE REVIEW**

- The review considers the progress made in implementing the recommendations made in the previous internal audit reports and to establish the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations.

5. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
6. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

### RELEASE OF REPORT

7. The table below sets out the history of this report.

<b>Date draft report issued:</b>	15 <sup>th</sup> February 2017
<b>Date management responses received:</b>	21 <sup>st</sup> February 2017
<b>Date final report issued:</b>	22 <sup>nd</sup> February 2017

## Detailed Report

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### FOLLOW UP

8. Management representations were obtained on the action taken to address the recommendations. Only limited testing has been carried out to confirm these management representations. The following matters were identified in considering the recommendations that have not been fully implemented:

9. **System: Governance – Partnerships Arrangements (2015-2016)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	1	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	-
Revised Target Date	-	Not Implemented	-

10. **System: Health and Safety (2015-2016)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	-	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	1
Revised Target Date	-	Not Implemented	-

<b>Recommendation: 5</b>	<b>Priority: 2</b>
<b>The practice of undertaking independent health and safety audits be re-established.</b>	
<b>Action taken:</b>	
The Welsh Government have introduced a new operational assurance process which will require Fire Services in Wales to conduct a self-assessment and a peer review. The first phase of the self-assessment process has been completed and the Fire Service is waiting for dates from the Welsh Government in order to arrange the initial phase of peer review.	
<b>Audit Observation:</b>	
Accepted	

11.

**System: Estates Management – Energy (2015-2016)****From the review of the documentation and checks carried out the assessment is:**

<b>Implemented</b>	-	<b>Considered but not Implemented</b>	<b>3</b>
<b>In Process of Being Implemented</b>	-	<b>No Longer Applicable</b>	-
<b>Revised Target Date</b>	-	<b>Not Implemented</b>	-

<b>Recommendation: 1</b>	<b>Priority: 2</b>
<p><b>An Energy Efficiency/Climate Change Strategy be documented by the Service detailing how it will contribute to the Welsh Government’s Climate Change Strategy for Wales and meet the requirements of other Welsh Government Strategies relating to waste reduction.</b></p>	
<p><b>Action taken:</b></p> <p>The recommendation was considered but rejected as the Estates department does not have the expertise to generate a service wide energy strategy. The Property Strategy Manager confirmed that without the required resources to employ an Energy Efficiency Officer the recommendation is not accepted.</p>	
<p><b>Audit Observation:</b></p> <p>The recommendation was considered but not implemented.</p>	

<b>Recommendation: 5</b>	<b>Priority: 2</b>
<p><b>The potential use of alternative energy generation to power the Service’s sites be fully investigated.</b></p>	
<p><b>Action taken:</b></p> <p>This recommendation was considered but rejected as there are limited resources which are used for focusing on revenue savings from assets currently managed by Estates.</p>	
<p><b>Audit Observation:</b></p> <p>The recommendation was considered but not implemented.</p>	

<b>Recommendation: 6</b>	<b>Priority: 2</b>
<b>A Sustainability Champion be appointed to drive energy efficiency and usage reduction, reductions in emissions and other sustainability projects within the Service.</b>	
<b>Action taken:</b> The recommendation was considered but rejected as the Service considers that the appointment of a Sustainability Champion without the correct resources in place to support the role would achieve limited outcomes.	
<b>Audit Observation:</b> The recommendation was considered but not implemented.	

12.

**System: HR Training (2015-2016)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	2	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	-
Revised Target Date	-	Not Implemented	-

13.

**System: Follow Up (2015-2016)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	4	Considered but not Implemented	1
In Process of Being Implemented	-	No Longer Applicable	1
Revised Target Date	3	Not Implemented	-



Recommendation: 1	Priority: 2
<p><b><u>HR Rostering System (2014-2015)</u></b></p> <p>The reporting capabilities of the RAPS system be investigated and improved to enable reports to be produced directly from the reporting package without requiring significant input of Central Staffing time.</p>	
<p><b>Action taken:</b></p> <p>A meeting with the software provider KRONOS established that there are updates available which will reduce the input required from Central Staff. An update for the system has been purchased and is scheduled to be implemented before the end of 2017. It was noted that the new update will require less Central Staff input. However, complete automation is not possible without significant economic investment. A decision has been taken to implement the next update and wait for KRONOS to make improvements required.</p>	
<p><b>Audit Observation:</b></p> <p>The recommendation was considered but not implemented.</p>	

Recommendation: 7	Priority: 2
<p><b><u>Purchasing and Fuel Card (2015-2016)</u></b></p> <p>A review of Allstar fuel card statements be undertaken to identify and investigate all anomalies.</p>	
<p><b>Action taken:</b></p> <p>A wide review of the Purchasing Card arrangements has been undertaken by the Head of Finance and a report is expected to be presented to the Senior Management Team in February 2017. It is expected that recommendations that will arise from the report will supercede those made by Internal Audit.</p>	
<p><b>Audit Observation:</b></p> <p>Accepted.</p>	

Recommendation: 1	Priority: 2
<b><u>Payroll HR Controls (2013-2014)</u></b>	
<b>All procedures relating to HR and Payroll processes be reviewed and amended as planned.</b>	
<b>Action taken:</b> The payroll system which was tendered four years ago is still in its preliminary phase of implementation. The system will be upgraded with a new module which will resolve issues which have been experienced by users. A decision has been made to document procedures once the system is fully functional to avoid confusion and duplication of work.	
<b>Audit Observation:</b> A revised target date for implementation needs to be set.	

Recommendation: 1	Priority: 2
<b><u>Third Party Income (2014-2015)</u></b>	
<b>Income targets be included in any future TPI Business Plans.</b>	
<b>Action taken:</b> The income targets will be included within the TPI Business Plans following the finalisation of the TPI organisational strategy.	
<b>Audit Observation:</b> A revised target date for implementation needs to be set.	

<b>Recommendation: 3</b>	<b>Priority: 2</b>
<b><u>Station Visits (2014-2015)</u></b>	
<p><b>Group Managers be advised to be more assertive in their comments on Station Audit reports to address unsatisfactory performance/standards in relation to high risk/high profile areas in order that the desired outcome is achieved.</b></p>	
<p><b>Action taken:</b> A sample of Station Audit reports was reviewed by Internal Audit and it was noted that the comments are still brief and need to be more assertive.</p>	
<p><b>Audit Observation:</b> A revised Target date for implementation needs to be set.</p>	

14.

**System: New Payroll System (2015-2016)**

<b>From the review of the documentation and checks carried out the assessment is:</b>			
<b>Implemented</b>	<b>1</b>	<b>Considered but not Implemented</b>	<b>-</b>
<b>In Process of Being Implemented</b>	<b>-</b>	<b>No Longer Applicable</b>	<b>-</b>
<b>Revised Target Date</b>	<b>-</b>	<b>Not Implemented</b>	<b>-</b>

15. **System: Key Financial Controls (2015-2016)****From the review of the documentation and checks carried out the assessment is:**

Implemented	2	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	-
Revised Target Date	-	Not Implemented	-

16. **System: Fuel Card Investigation (2016-2017)****From the review of the documentation and checks carried out the assessment is:**

Implemented	2	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	2
Revised Target Date	-	Not Implemented	-

**Recommendation: 3****Priority: 2**

Allstar be advised that the Service requires the vehicle registration and mileage to be recorded at all re-fuelling transactions and that this information needs to be recorded on the fuel card statements sent to the Service.

**Action taken:**

A wide review of the Purchasing Card arrangements has been undertaken by the Head of Finance and a report is expected to be presented to the Senior Management Team in February 2017. It was noted that a new process will be implemented whereby individuals are able to provide vehicle mileage and registration automatically via the use of a dongle. Therefore this recommendation is no longer applicable.

**Audit Observation:**

Accepted.

<b>Recommendation: 4</b>	<b>Priority: 2</b>
<p><b>All fuel cards managed by the Fleet and Engineering Department be fully reconciled each month to ensure that any suspicious transactions are identified at the earliest opportunity.</b></p>	
<p><b>Action taken:</b> A wide review of the Purchasing Card arrangements has been undertaken by the Head of Finance and a report is expected to be presented to the Senior Management Team in February 2017. In light of the outcomes of the review, a new process is to be introduced.</p>	
<p><b>Audit Observation:</b> Accepted.</p>	

17.

**System: Allowances (2016-2017)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	1	Considered but not Implemented	-
In Process of Being Implemented	-	No Longer Applicable	-
Revised Target Date	-	Not Implemented	-

18.

**System: ICT Security Management Controls (2016-2017)**

From the review of the documentation and checks carried out the assessment is:			
Implemented	-	Considered but not Implemented	-
In Process of Being Implemented	1	No Longer Applicable	-
Revised Target Date	1	Not Implemented	-

<b>Recommendation: 1</b>	<b>Priority: 2</b>
<b>Test restores be completed annually in full compliance with the ICT Backup Strategy.</b>	
<b>Action taken:</b> This recommendation is in the process of being implemented. One system will be test restored by 31 <sup>st</sup> March 2017 in line with the Backup Strategy.	
<b>Audit Observation:</b> None	

<b>Recommendation: 3</b>	<b>Priority: 2</b>
<b>A full annual asset reconciliation or a rolling programme of reconciliations that ensure that all areas are reconciled at least annually be implemented once the ICT asset database has been brought up to date.</b>	
<b>Action taken:</b> The reconciliation has been postponed as ICT is in the last phase of rolling out new equipment. Once all equipment has been issued a full reconciliation will be undertaken.	
<b>Audit Observation:</b> A revised target date for implementation needs to be set.	

19.

**System: Estate Management Strategy (2016-2017)****From the review of the documentation and checks carried out the assessment is:**

<b>Implemented</b>	<b>2</b>	<b>Considered but not Implemented</b>	<b>-</b>
<b>In Process of Being Implemented</b>	<b>-</b>	<b>No Longer Applicable</b>	<b>-</b>
<b>Revised Target Date</b>	<b>1</b>	<b>Not Implemented</b>	<b>-</b>

<b>Recommendation: 4</b>	<b>Priority: 2</b>
<p><b>A defined process for updating asset and property condition survey data in light of maintenance, compliance reviews and other activities be established.</b></p>	
<p><b>Action taken:</b> Property condition information is held in a database which is currently being upgraded, preventing access to members of the Estates department. Once the upgrade has been completed a process will be established and formally documented.</p>	
<p><b>Audit Observation:</b> A revised target date for implementation needs to be set.</p>	

Rec.	Original Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>Follow Up (2015-2016)</b>					
1	<p><u>Payroll HR Controls (2013-2014)</u> All procedures relating to HR and Payroll processes be reviewed and amended as planned.</p>	2	<p><i>Meetings have begun to start the review of the HR/Payroll procedures in question. Stakeholders outside of HR will need to be involved in the reviews were appropriate. This action cannot be completed fully until additional HR modules have been implemented fully. Implementation dates are yet to be agreed.</i></p>	March 2018	<p>HR Manager (ER) &amp; Accountant (People Services)</p>

Rec.	Original Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	<p><u>Third Party Income (2014-2015)</u> Income targets be included in any future TPI Business Plans.</p>	2	<p><i>The department continues to consider Third Party income for SWFRS, and this forms part of the annual Directorate and Departmental Business Plans. There remains wider discussions and considerations for the Service in terms of a potential Trading Arm but this decision is unlikely to be confirmed until later in 2017. However, targets for such income streams are now firmly in place.</i></p>	30/06/2017	AM Ian Greenman – Head of training & Development Department
3	<p><u>Station Visits (2014-2015)</u> Group Managers be advised to be more assertive in their comments on Station Audit reports to address unsatisfactory performance/standards in relation to high risk/high profile areas in order that the desired outcome is achieved.</p>	2	<p><i>Group Managers are in the process of commenting on performance following Station audits. This is very much work in progress. AM Operations will periodically review and address when and where appropriate.</i></p>	Enduring	AM D Rose



Rec.	Original Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
<b>ICT Security Management Controls (2016-2017)</b>					
1	Test restores be completed annually in full compliance with the ICT Backup Strategy.	2	<i>The final test restore took place on 16 February 2017 to realign with the Backup Strategy.</i>	Completed	Infrastructure Team Leader
3	A full annual asset reconciliation or a rolling programme of reconciliations that ensure that all areas are reconciled at least annually be implemented once the ICT asset database has been brought up to date.	2	<i>A full asset reconciliation will be undertaken following completion of the ICT Infrastructure Project. A rolling programme will be implemented following the above full reconciliation.</i>	30/06/17	Service Manager
<b>Estate Management Strategy (2016-2017)</b>					
4	A defined process for updating asset and property condition survey data in light of maintenance, compliance reviews and other activities be established.	2	<i>This work is part of a rolling programme of planned maintenance works. Further work is ongoing to improve how we manage the data.</i>	21/9/17	Property Strategy Manager



**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 13  
3 APRIL 2017

**INTERNAL AUDIT ANNUAL PLAN 2017/2018**

**SUMMARY**

This report details the proposed Internal Audit Annual Plan 2017/2018 for Members approval.

**RECOMMENDATION**

That Members approve the Internal Audit Annual Plan for 2017/2018.

**1. BACKGROUND**

- 1.1 As a requirement of the internal audit work of the Fire & Rescue Authority, it is necessary for Members of the Finance, Audit & Performance Management Committee to agree to an Internal Audit Annual Plan for the financial year.
- 1.2 Following a tender process in January 2017, TIAA have been awarded a contract for internal audit services for an initial period of three years commencing on 1 April 2017.

**2. ISSUE**

- 2.1 Attached at Appendix 1 is the proposed Internal Audit Annual Plan for 2017/2018 for Members consideration. The rationale for the plan is contained within the appended report.
- 2.2 To monitor progress against the internal audit annual plan, regular reports will be presented to this Committee outlining the audits undertaken, the status of reports and the recommendations being made by the internal auditors.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The work proposed to be undertaken by Internal Audit as part of the proposed Annual Plan 2017/2018 is allocated as a budget line within the total revenue budget for 2017/2018.

**4. EQUALITY RISK ASSESSMENT**

- 4.1 The issues raised within this report have no adverse impact on the protected characteristics, and will be considered during the audit process.

## 5. RECOMMENDATION

5.1 That Members approve the Internal Audit Annual Plan for 2017/2018.

<b>Contact Officer:</b> Geraint Thomas Head of Finance & Procurement	<b>Background Papers:</b> Appendix 1 – Internal Audit Annual Plan 2017/2018
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## **South Wales Fire and Rescue Service**

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### **Audit Strategic Plan and Annual Plan**

**2017/18**

## Internal Audit Annual Plan

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### INTRODUCTION

This Annual Plan is drawn up in accordance with the Terms of Reference of TIAA and the Internal Audit Strategic Plan.

### AUDIT STRATEGY METHODOLOGY

We adopt a risk based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, previous internal audit work for the Service, external audit recommendations together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Strategy will be based predominantly on our understanding of the inherent risks facing the Service and those within the sector and has been developed with senior management.

### INTERNAL AUDIT ANNUAL PLAN

The rolling strategic plan is set out in Annex A. The Annual Plan (Annex B) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews. The rolling strategic plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Joint Audit Committee mid-way through the financial year or should a significant issue arise.

The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review of working papers and reports

and site work. The timings shown in the Annual Plan assume that the expected controls will be in place.

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the Service and additional time will be required to carry out such testing. The Service is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

### AUDIT COMMITTEE RESPONSIBILITY

It is the responsibility of the Joint Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

### REPORTING

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the Public Sector Internal Audit Standards (PSIAS).

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in the Public



Sector Internal Audit Standards (PSIAS). The Annual Report will include our opinion of the overall adequacy and effectiveness of the Services governance, risk management and operational control processes.

### **SATISFACTION QUESTIONNAIRES**

An annual client satisfaction survey will be issued with the annual report with the feedback received from this survey being used to develop staff and the service we provide.

### LIAISON WITH THE EXTERNAL AUDITOR

We will liaise with the Service's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

### BACKGROUND

The mission of South Wales Fire and Rescue Service is to "Make South Wales Safer by reducing risk".

Shown below are some of the challenges facing South Wales Fire and Rescue Service in the coming year:

- Funding pressures.
- Recruitment and Retention/Succession Planning.
- Cyber Security/EU GDPR/Data sharing.

### ASSURANCE MAPPING

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex C.

### AUDIT REMIT

The Audit Remit (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Service and defines the scope of internal audit activities and ensures compliance with the PSIAS.

### CONFLICT OF INTEREST

We are not aware of any conflicts of interest and should any arise we will manage them in line with PSIAS requirements, the Service's requirements and TIAA's internal policies.

### PERFORMANCE

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed within time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with Public Sector Internal Audit Standards.	100%

### KEY CONTACT INFORMATION



Name	Contact Details
Vicky Davies Director	vicky.davies@ttaa.co.uk 07980 787924
Clive FitzGerald Director of Audit	clive.fitzgerald@ttaa.co.uk 07977 447191
Jonathan Maddock Client Manager	jonathan.maddock@ttaa.co.uk 07970 235836

### LIMITATIONS AND RESPONSIBILITY

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

### RELEASE OF REPORT

The table below sets out the history of this plan.

**Date plan issued:**

14<sup>th</sup> February 2017

## Rolling Strategic Plan

Review Area	Type	Days Required			
		2016/17	2017/18	2018/19	2019/20
<b>Governance</b>					
Governance - Performance Management	Compliance	6	6	6	6
Governance - Strategic Planning	Assurance		6		
Governance - Strategic Control	Assurance			6	
Governance - Communications	Appraisal	6			
Governance - Partnerships	Assurance				6
<b>Risk Management</b>					
Risk Management – Anti-Fraud	Risk		6		
Risk Management – Mitigating Controls	Risk	6		6	
Risk Management – to be determined	Risk				6
<b>ICT</b>					
Data Assurance – Focus on EU GDPR	Assurance			5	
ICT – Management Controls	Assurance	5			
ICT – Cyber Security	Assurance		5		
<b>Finance &amp; HR</b>					
Key Financial Controls	Compliance	6	6	6	6
Finance/HR System	Assurance				6
Payment Cards	Assurance				5
Pensions	Assurance				6
Procurement	Assurance	6			
Data Analytics	Compliance			6	
<b>Services</b>					

Review Area	Type	2016/17	Days Required		
			2017/18	2018/19	2019/20
Station Visits	Compliance	4	4	4	4
Health & Safety	Appraisal				6
HR Management - Absence Management	Assurance		6		
HR Management - Rosters	Assurance			6	
HR Training	Assurance	6			
Allowances (Grey Book)	Compliance	6			
Contract Management	Appraisal		6		
Development	Assurance				
<b>Estates Management</b>					
Joint Control Centre	Appraisal		6		
Estates Management - Delivery	Assurance			6	
Estates Management - Strategy	Assurance	6			
Asset Registers	Assurance				6
Fleet Management - Fuel	Appraisal		6		
Fleet Management - Usage	Appraisal			6	
<b>Other</b>					
Follow up	F/up	3	3	3	3
Annual Plan		1	1	1	1
Strategic Plan		1	1	1	1
Annual Report		1	1	1	1
Audit Management		7	7	7	7
	<b>Totals</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>

## Annual Plan – 2017/18

Quarter	Audit	Type	Days	Rationale
1	Governance – Performance Management	Compliance	6	<p><u>Rationale</u> Wales Audit Office annual requirement.</p> <p><u>Scope</u> The review considers the arrangements for collection and reporting of “core” PI data in accordance with the Welsh Government’s requirements. The review will also consider any recommendations made in the 2015/16 report. The Wales Audit Office will provide a checklist in accordance with their requirements for testing.</p> <p>At the request of the FAPM will include testing on one non mandated indicator.</p>
1	ICT – Cyber Security	ICT	5	<p><u>Rationale</u> ICT review included in each year of the plan. IT systems underpin the operations of the Service.</p> <p><u>Scope</u> The review considers the security management arrangements for the pro-active identification, prioritising and mitigating against cyber-crime risks. The scope of the review includes policies, procedures and risk management activities in place for the key elements of the CESH framework, including:</p> <ul style="list-style-type: none"> <li>• Information Risk Management Regime</li> </ul>

Quarter	Audit	Type	Days	Rationale
				<ul style="list-style-type: none"> <li>Secure configuration</li> <li>Network security</li> <li>Managing user privileges</li> <li>User education and awareness</li> <li>Incident management</li> <li>Malware prevention</li> <li>Monitoring</li> <li>Removable media controls</li> <li>Home and mobile working.</li> </ul> <p>The scope of the review does not include detailed testing of the robustness of internal controls, or assess whether there is evidence of possible fraudulent actions.</p>
1	HR Management – Absence Management	Assurance	6	<p><u>Rationale</u> HR review included in each year of the plan.</p> <p><u>Scope</u> The review will provide assurance on implementation of the Service’s policy and systems and processes undertaken by line managers at a service level in relation to management of sickness absence, including both short and long term absence.</p>
2	Station Visits	Compliance	4	<p><u>Rationale</u> A small sample of stations visited each year to ensure local compliance with corporate procedures.</p> <p><u>Scope</u> The review will consider the arrangements for complying with the organisation’s financial procedures at two whole-time or two-part time crewed stations.</p> <p>A member of the Finance Team will attend the station visits</p>

Quarter	Audit	Type	Days	Rationale
2	Governance Planning – Strategic	Governance	6	<p><u>Rationale</u> Key risk area for the Service.</p> <p><u>Scope</u> The review considers the arrangements by which the Board and senior management groups ensure that the corporate plans for the organisation remain achievable in times of economic uncertainty. The scope of the review does not include consideration of the strategic control arrangements or the appropriateness of decisions taken by the Board.</p>
3	Risk Management – Anti-Fraud	Risk	6	<p><u>Rationale</u> Key risk area for the Service.</p> <p><u>Scope</u> The review considers the robustness of the organisation's Anti-Fraud policy and associated policies in providing mitigation against fraud and/or the impact of fraud. The scope of the review does not include providing assurance that all instances of fraud have been detected by the organisation.</p>
3	Joint Control Centre	Appraisal	6	<p><u>Rationale</u> Key risk area for the Service.</p> <p><u>Scope</u> The review will consider the capital commitment, ongoing maintenance, service charges and sinking fund arrangements. The review will be undertaken in conjunction with South Wales Police.  A detailed scope will be developed prior to the review being undertaken.</p>
3/4	Fleet Management - Fuel	Appraisal	6	<p><u>Rationale</u> Key risk area for the Service.</p>

Quarter	Audit	Type	Days	Rationale
				<p><u>Scope</u></p> <p>The review will consider the arrangements in place for the procurement and management of fuel across the organisation.</p>
4	Key Financial Controls	Compliance	6	<p><u>Rationale</u></p> <p>Key financial controls reviewed annually.</p> <p><u>Scope</u></p> <p>This review considers the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Association's requirements:</p> <ul style="list-style-type: none"> <li>Budgetary control</li> <li>General ledger</li> <li>Cash, banking &amp; treasury management</li> <li>Cash flow planning</li> <li>Income &amp; debtors</li> <li>Payments</li> <li>Payroll</li> <li>Security of assets.</li> </ul>
4	Contract Management	Appraisal	6	<p><u>Rationale</u></p> <p>Key risk area for the Service.</p> <p><u>Scope</u></p> <p>The review will consider the ongoing contract management arrangements including preparations for contract renewal and the link to the Service's budgetary control arrangements. A sample of two contracts will be selected for detailed review.</p>
4	Follow up		3	<p>The review ascertains whether management action has been taken to address the Priority 1 &amp; 2 recommendations</p>

Quarter	Audit	Type	Days	Rationale
				arising from selected internal audit work carried out at the organisation during the previous two financial years.
1	2017/18 Annual Plan		1	
1	Strategic Plan		1	
4	2017/18 Annual Report		1	
1-4	Management, Assurance and Support Quality		7	This time includes attendance at Audit Committee meetings and overall contract management.
		<b>Total days</b>	<b>70</b>	



The Annual Plan contains the following changes to the plan set out in the Internal Audit Strategy for 2017/18.

Review	In strategic plan for 2017/18	Change made	Rationale for the change
ICT – Cyber Security	No	Added to plan	Requested by Senior Management as considered a high risk to the Service
ICT – Network Security	Yes	Removed from Plan	Review changed to ICT - Cyber Security review.
Payments	Yes	Removed from Plan	Replaced by Contract Management review.
Contract Management	No	Added to Plan	Requested by Senior Management as considered to be a greater risk than payments.
Estates Management - Delivery	Yes	Removed from Plan	Replaced by the review of the new Joint Control Centre
Joint Control Centre	No	Added to Plan	Requested by Senior Management as the new Joint Control Centre is about to go live.

## Assurance Mapping

### Corporate assurance risks

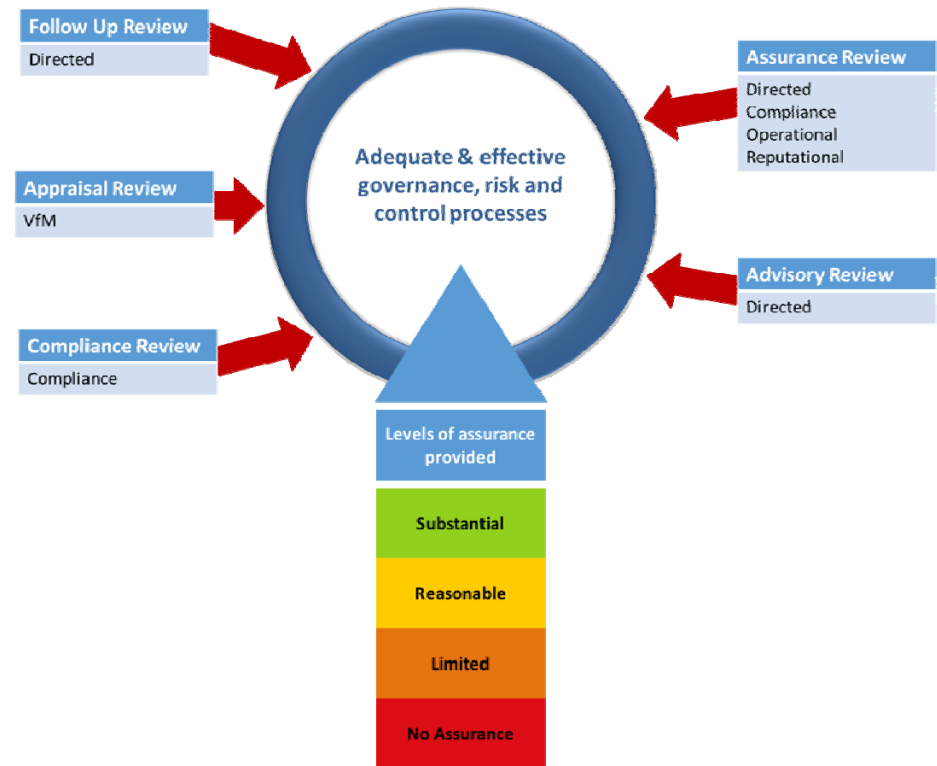
We consider four corporate assurance risks; directed; compliance; operational and reputational. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

### Assurance assessment gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

### Types of audit review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



## Audit Remit

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### Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Service's framework of governance, risk management and control. TIAA is responsible for giving assurance to the Service's "Governing Body" (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the Service's risk management, control and governance processes.

### Scope

All the Service's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the Service's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, audit committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

### Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS.

### Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the Service and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data

for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

### Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within the Service and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Joint Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the Service's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

### **Irregularities, Including Fraud and Corruption**

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 14  
3 APRIL 2017

**REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION  
UPDATES AS AT 3 APRIL 2017**

**SUMMARY**

This report shows the latest progress recorded against actions arising from internal audits, Wales Audit Office thematic reviews, Operational Assurance peer reviews, corporate schemes and Government circulars at Appendix 1. Graphical summaries showing all actions ongoing, overdue and completed since 2 July 2012 are also provided for each type of action.

**RECOMMENDATION**

That Members note the contents of the progress report and graphical summaries.

**1. BACKGROUND**

- 1.1 All actions as defined above are assigned to Officers and recorded on an electronic database. Each month Officers are requested to provide progress updates on these actions.

**2. ISSUE**

- 2.1 There are currently 25 actions recorded as progressing on the database, with 0 of these shown as overdue against target date, and 288 completed since 2 July 2012. (July 2012 was the latest refresh of the system.)

**3. EQUALITY RISK ASSESSMENT**

- 3.1 It is the responsibility of the action owner to ensure that Equality Risk Assessments are carried out for their actions.

**4. RECOMMENDATION**

- 4.1 That Members note the contents of the progress report and graphical summaries.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Emma Davies Engagement, Transformation and Performance Officer	Appendix 1

**APPENDIX 1 - List showing progress recorded against actions arising from internal audits, Wales Audit Office thematic reviews, Operational Assurance peer reviews, corporate schemes and Government circulars. A graphical summary showing actions progressing, overdue and completed since 2 July 2012 is also included for each type of action.**

**(i) Internal Audit Actions Report**

<b>Audit/Scheme/Circular name</b>	<b>Action Description in Full</b>	<b>Original Target Date</b>	<b>current due date</b>	<b>Action Owner</b>	<b>Action Owner progress update</b>	<b>Revised Target Date</b>
Assurance Review of the Payroll & HR Controls Arrangements	All procedures relating to HR and Payroll processes be reviewed and amended as planned.	31-08-14	31-03-17	Jeal, Kimbely	17/10/16 - no further update. This action cannot be completed until the completion of the required modules.	31-03-17
Follow Up Review	Mobile devices, USB ports and CD/DVD drives be effectively managed to prevent the introduction of malware and the loss of data.	30-03-14	30-06-17	Lloyd, Christopher	10/01/2017 - new endpoint protection system being implemented. 7/03/2017 - Endpoint protection system being rolled out to new devices.	30-06-17
Appraisal Review of the Anti-fraud Cyber Crime Preparedness Arrangements	The anomaly between the Internet and E-mail Usage Procedures and the Clearswift e-mail and internet sweeper setting relating to access to gaming and betting sites be addressed.	01-01-14	30-06-17	Lloyd, Christopher	10/01/2017 - awaiting implementation of system and associated policies. 7/03/2017 - awaiting release of version 4.6 of Clearswift.	30-06-17
Operational Review of the Authority Assurance Framework	Within the project Management governance arrangements all projects be linked to the relevant strategic objectives and define how the project outcomes contribute to the achievement of the objective.	30-11-15	31-12-17	Watkins, Sarah	The new project management framework and process is being reviewed by SMT on the 31st August 2016. The specification for the new Business Management information System (BMIS) contains a project management framework that can be adapted to suit local processes and will link to our Priority Actions and Strategic Themes. This action will continue until the BMIS has been delivered.	31-12-17

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Assurance Review of the Purchasing and Fuel Card Arrangements	A review of Allstar fuel card statements be undertaken to identify and investigate all anomalies.	24-09-15	30-04-17	Williams, Ian	<p>The Review of All-Star Card Statements and subsequent reconciliation with individual vehicles can only be carried out by the Procurement Department who are in receipt of the statement / Invoice.</p> <p>All fuel transactions within Fleet are reconciled with receipts. Wider reconciliation is needed from Station Managers as these are sent directly to Finance. Action will be addressed further with Procurement.</p>	30-04-17
Appraisal Review of the Governance - Partnerships Arrangements	Quality Assurance procedures be reinstated for the existing Home Fire Safety Checks service as soon as resource allows and fully implemented following implementation of the new training package.	30-04-16	30-04-17	Davies, Garry	<p>All audits completed for 2015 /16</p> <p>17.11.16 Ongoing audits are being carried out with the current list of organizations we are working with. From this, several SLAs have ceased due to the level of vulnerability. This has allowed a focus on ensuring our resources are being delivered to those most in need of our services.</p>	30-04-17
Review of the Estates Management - Energy Arrangements	The additional seventeen stations be added to the Trend building management system to enable them to be managed remotely.	31-12-18	01-09-17	Humphreys, Alan	<p>The ICT department are installing the hard wiring between the Building Management System control panel and the server installed on each station. On completion of this work the software will be modified at Headquarters to enable the stations to be accessed from Headquarters.</p> <p>14/3/2017 Work has not yet been completed</p>	01-09-17



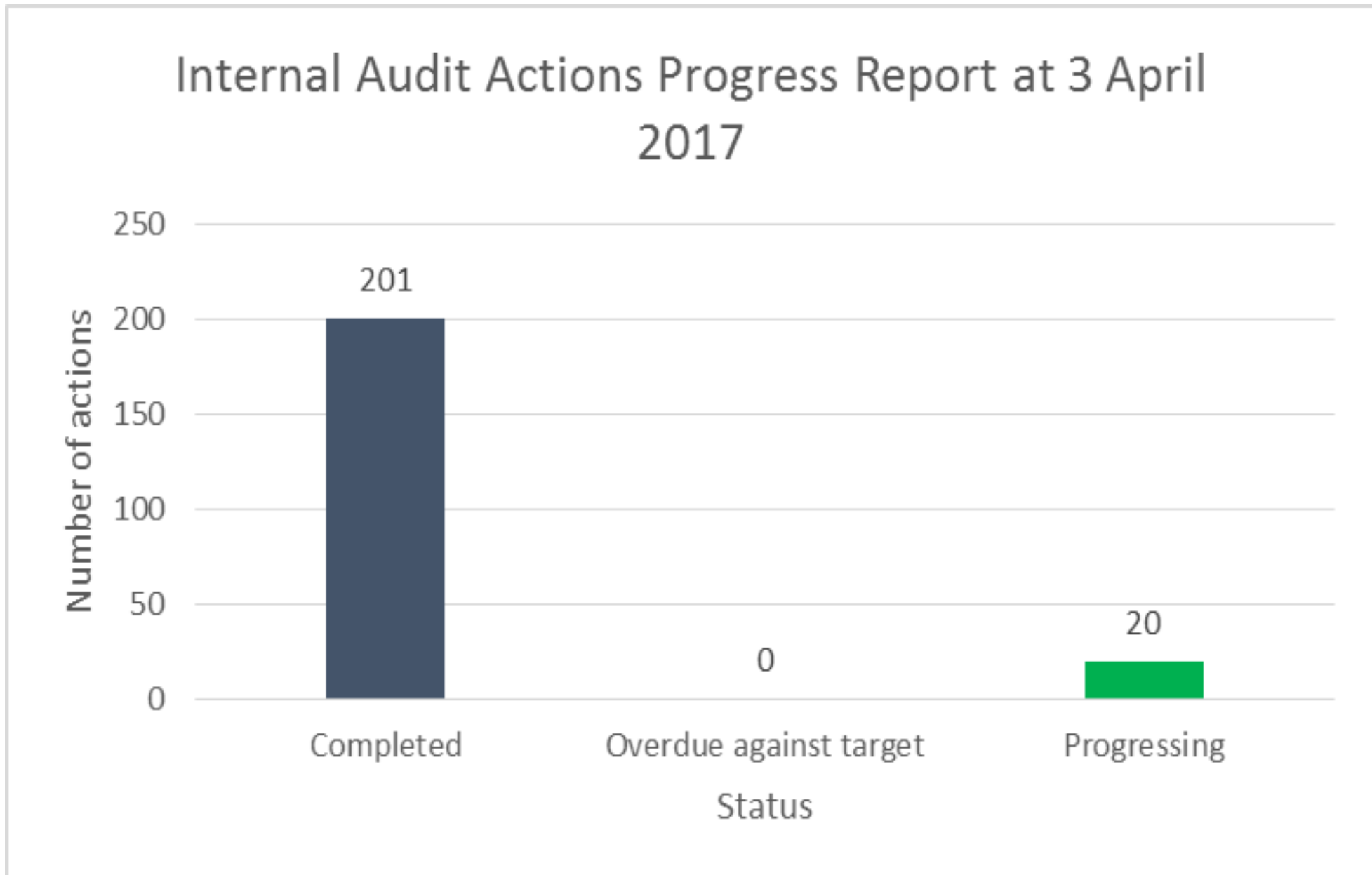
Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Follow Up Review	Payroll HR Controls (2013/14) All procedures relating to HR and Payroll processes be reviewed and amended as planned.		31-12-17	Smith, Clare	We are due to be upgraded to version 23 of Core by the end of October and then will have Core Expense so we will then commence procedural notes for both HR and payroll once this has been done.	31-12-17
Follow Up Review	Anti-Fraud Cyber Crime 2013/2014 - Any document identified during the data analysis review that needs to be held securely that is not already electronically marked be electronically marked to ensure that it can be identified by the e-mail sweeping software to prevent unauthorised distribution.	31-03-16	31-12-17	Williams, Chris	18.07.16 A policy/procedure for protective marking has been developed and is in draft form awaiting direction from IT following implementation of a new network. Those areas that have been identified as key in terms of the Government Protective Marking Scheme have been identified and training provided. 16/08/16: Meetings planned to address this issue. 30/11/16: Additional meetings planned in new year to continue addressing the issue. 7/03/2017 - Ongoing meetings with Knowledge Officer.	31-12-17
Follow Up Review	Anti-fraud Cyber Crime 2013/14 - A Forensic Readiness Procedure be documented detailing the processes to be followed in the event of a suspected or actual network security incident.	31-03-16	30-04-17	Smith, Darren	10 Jan 2017 - a draft flowchart has been produced which relates to the management of information security incidents. 07/03/2017 - Not discussed at last meeting to be added to agenda for next meeting.	30-04-17

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Follow Up Review	Estate Management - Planned Repairs 2014/15 - The stock condition database be utilised to generate the planned maintenance programme for future years once all the data is received from Faithful & Gould Limited.		02-02-18	Corrigan, Nick	Work is continuing to agree repair priorities. 14/3/2017 The repair priorities have been agreed in principle. Property are in the process of preparing specifications to action the work during 2017/2018 financial year. However due to the high volume of co-location projects and other capital projects the planned maintenance programme may be delayed.	02-02-18
Follow Up Review	Group Managers be advised to be more assertive in their comments on Station Audit reports to address unsatisfactory performance/standards in relation to high risk/high profile areas in order that the desired outcome is achieved.	20-05-16	30-04-17	Bellew, Eric	14.03.2017 - Discussions ongoing regarding observations on audits generated by UA managers.  A review and spot checks has been conducted on the Station Audit Report. Recommendations have been made to UA GMs to complete fully the GM Summary report box and to generate quantifiable reviews of station performance and agreed improvement plans where improvements can be made as part of their overall summative assessment of performance.	30-04-17

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Appraisal Review of the Risk Mitigation Arrangements	At the next review of the Corporate Risk Register consideration be given to the information captured within the SharePoint fields of 'prevention controls in place', 'further prevention actions planned', and the 'comments - record of all updates and reviews' to ensure that a consistent message is relayed within the risk control measures.	31-12-17	04-09-17	Watkins, Sarah	This work will be completed during the review of the Corporate Risk Register that has commenced and will be completed prior to the uploading of the Risk Register into the new Business Management System due in 2017. This action will continue until the BMIS has been delivered.	04-09-17
Compliance Review of the Governance - Performance Management Arrangements	In conjunction with the recommendation raised in the 2015/2016 internal audit of the performance indicators, appropriate plans be put in place to ensure that future submissions of the performance indicators are in accordance with the Welsh Government's deadlines.	01-06-17	01-06-17	Thomas, Wayne	The process of validating, collating and submitting the end of year performance indicator data was reviewed following last year's submission. A plan has discussed and will be finalised following the receipt of the Welsh Government's deadlines (which are normally received in late April/early May)	
Compliance Review of the Allowances Arrangements	In instances where allowances are determined locally by the Service, such a rate should be documented, confirming when the rate was agreed and by whom, giving consideration to the date of the next review of the allowance.	30-01-17	30-01-17	Jones, Andrew	The action has been completed. Preparations are underway to identify a reviewing mechanism with Senior Managers, at which point, the action will be closed.	30-04-17
Appraisal Review of the Estate Management Strategy Arrangements	A detailed report and annual action plan be developed in support of the property asset management strategy as planned.	01-10-16	10-10-17	Corrigan, Nick	An overview of the plan has been prepared but a more detailed report has not yet been actioned due to resource issues.	10-10-17
Appraisal Review of the Estate Management Strategy Arrangements	A defined process for updating asset and property condition survey data in light of maintenance, compliance reviews and other activities be established.	01-12-16	01-12-17	Corrigan, Nick	A process is being prepared using best practice principles	01-12-17

Audit/Scheme/Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Appraisal Review of the Estate Management Strategy Arrangements	Access to the property condition survey database be reinstated.	01-01-17	30-06-17	Corrigan, Nick	No update, awaiting computer upgrade as part of VDI project	30-06-17
Appraisal Review of the Estate Management Strategy Arrangements	The compliance management package be developed to help record and monitor compliance activities and reduce administration.	05-12-16	01-12-17	Corrigan, Nick	ICT are progressing as part of a wider project	01-12-17
Assurance Review of ICT Security Management Controls	<p>A full annual asset reconciliation or a rolling programme of reconciliations that ensure that all areas are reconciled at least annually be implemented once the ICT asset database has been brought up to date.</p> <p>This replaced previous action.</p>	05-12-16	30-06-17	Smith, Darren	<p>03/01/2017 - Delay in carrying out Annual review due to continuation of Asset inventory updates as part disposal of equipment released from ICT Infrastructure project and Mobile Device replacement (underway from September 2016).</p> <p>Meeting has taken place Finance over better recording of equipment purchases, relocations and disposals. A register of assets will be reviews Annually to reflect details of invoice purchased on and current state of asset "in life".</p> <p>Implementation of New ICT Asset Management (and Service Desk system) will allow this to function more efficiently. Tender phase of procurement for Asset Management system is currently in progress with award pending for end Jan 2017.</p> <p>7/03/2017 - To be completed following the ICT infrastructure project rollout. This will begin in June 2017.</p>	30-06-17

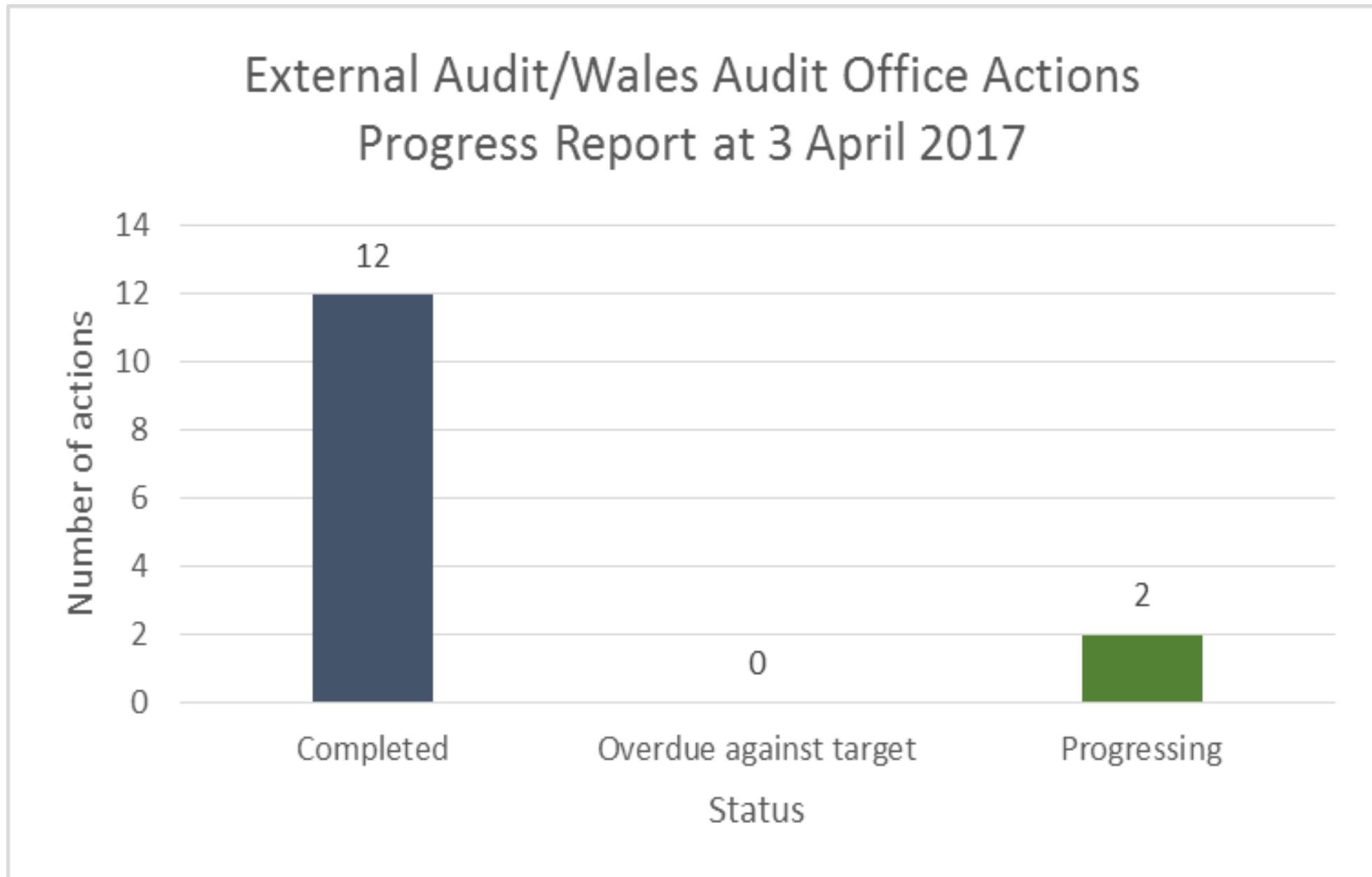
## (ii) Internal Audit Actions snapshot of progress by category



## (iii) External Audit/Wales Audit Office Actions Report

Audit/Scheme/ Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Follow Up Review	Any document identified during the data analysis review that needs to be held securely that is not already electronically marked be electronically marked to ensure that it can be identified by the e-mail sweeping software to prevent unauthorised distribution.	30-03-16	31-03-17	Lloyd, Christopher	27/10/2016 - Secure connectivity to identified sites starting to roll out, portal rollout continuing 10/01/2017 - Secure connectivity to identified sites starting to roll out, portal rollout continuing Discussion ongoing regarding the policy for protective marking of documents.	31-03-17
Wales Audit Office - Data Quality Review	Well embedded systems produce accurate management information that is used to support improvement planning although some gaps exist in equality information.	18-03-15	31-03-17	Malson, Mark	27/10/16 - V23 of Core is being installed and implemented in November 2016 and will address the issues we have experienced since the start of the project. This will hopefully allow us to initiate the implementation of Phase 2 of the implementation and improve our data reporting and quality of the information provided. We already have better equality data from the self-service portal and are in the process of developing a new suit of management reports that will assist senior managers on a day to day basis.	31-03-17

## (iv) External Audit/Wales Audit Office Actions snapshot of progress

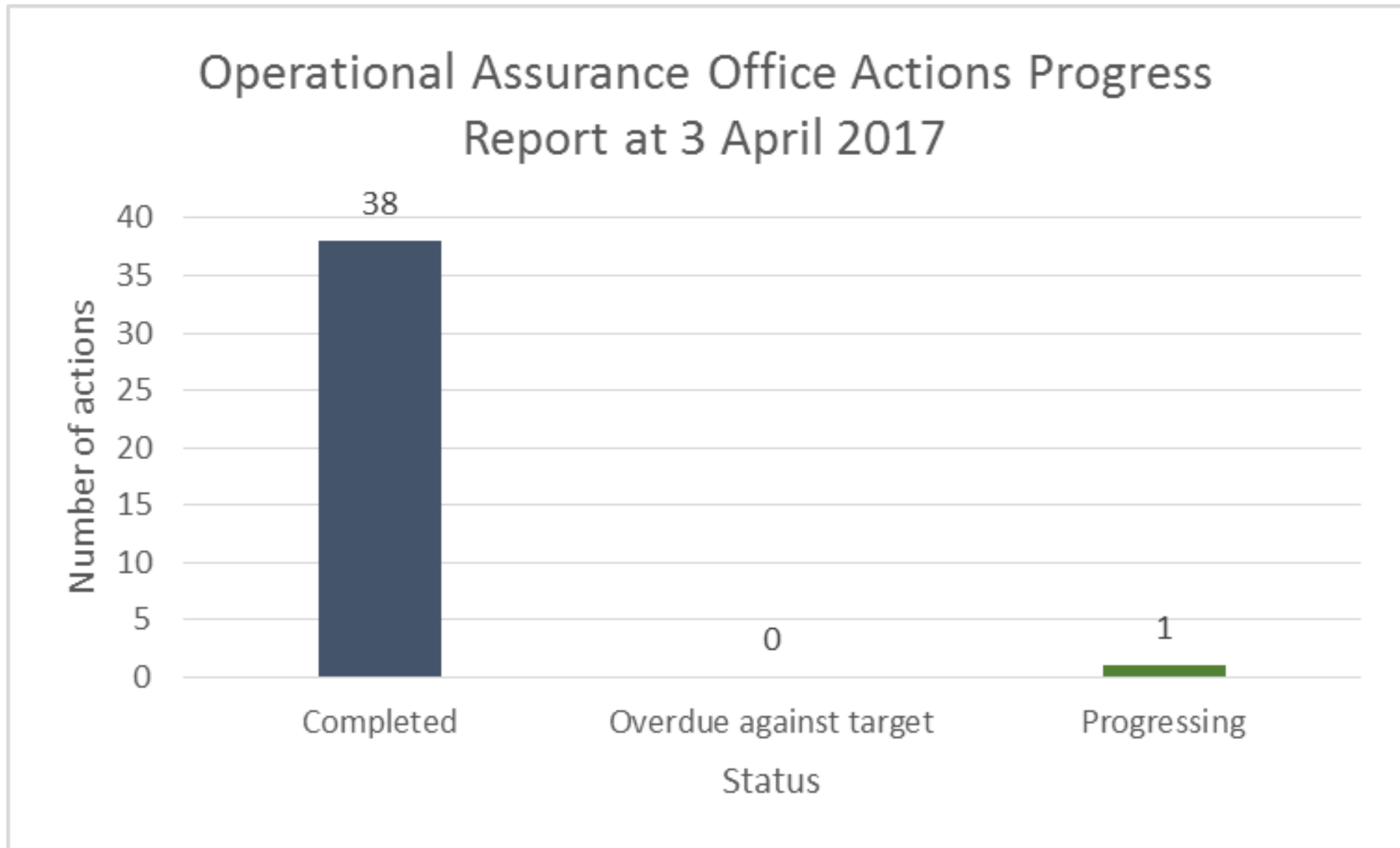


## (v) Operational Assurance Actions Report

Audit/Scheme/ Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
Ops Assurance	Review the allocation of Legislative Fire Safety resources following the introduction of the new MIS in line with the revised picture of risk.	01-03-13	30-04-17	Kibblewhite, Alison	October 2016 - Good progress is being made with West Midlands. They are currently working on the re-inspection aspect of the project. Consideration is being given for developing a bespoke risk model for premises. Discussions will be taking place and a business case to decide if we are going to move away from the CFOA national model. The project team is working well with West Midlands and meeting are taking place on a regular basis.	30-04-17



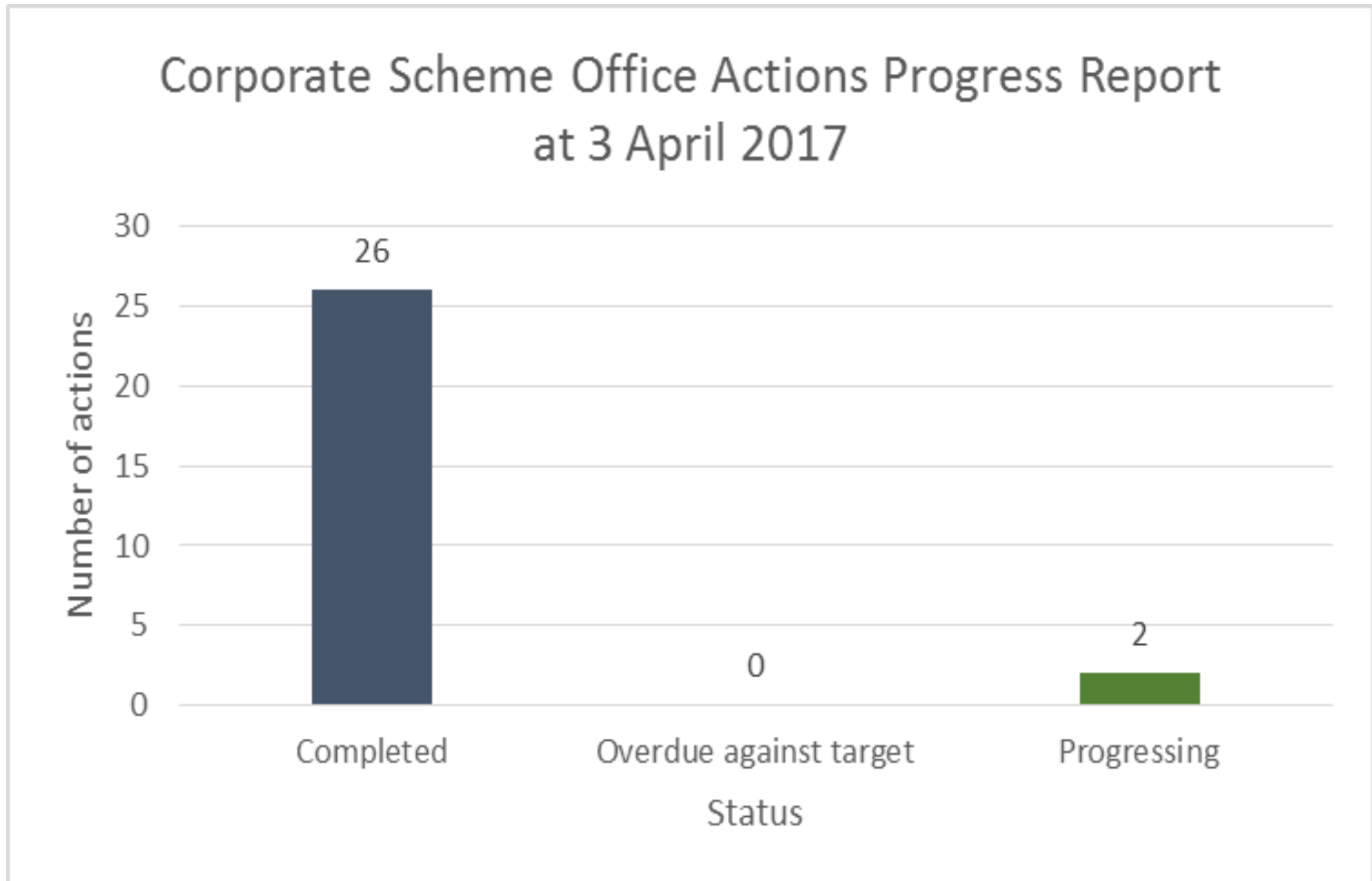
## (vi) Operational Assurance Peer assessment actions snapshot of progress



## (vii) Corporate Scheme Actions Report

Audit/Scheme/ Circular name	Action Description in Full	Original Target Date	current due date	Action Owner	Action Owner progress update	Revised Target Date
11.10/11 IT Disaster Recovery Planning - Follow Up	Management should ensure that the priority of recovery for key IT systems and data following a disaster event is determined, approved by senior management and included within the IT DR element of the organisation's ICT BCP.	31-03-12	31-03-17	Williams, Chris	14 June 2016 - BCM exercise planned and further work required. 13/09/2016 - BCM exercise taken place and debrief generating list of required tasks	31-03-17
Strategic Equality Plan	Promote in-house equality and diversity good practice.	01-09-12	30-03-20	Wood, Carey	19/10/16: main progress: arranged Unconscious Bias sessions for middle managers (moved now due to mid Wales NIC meeting), ongoing work with Time To Change Wales, awareness promotion on suicide and men, commenced work on revised ERA form and guidance, establishing an in-house Allies Network, the Together campaign was devised and launched- including real staff stories and video, submitted evidence to Stonewall's Index, Annual Equality Report is currently being assembled, provided internal compliance based advice, facilitated the Service being in Pride parade for first time, acted as Service representative at external events, carried out induction sessions, purchased online Unconscious Bias package for staff.	30-03-20

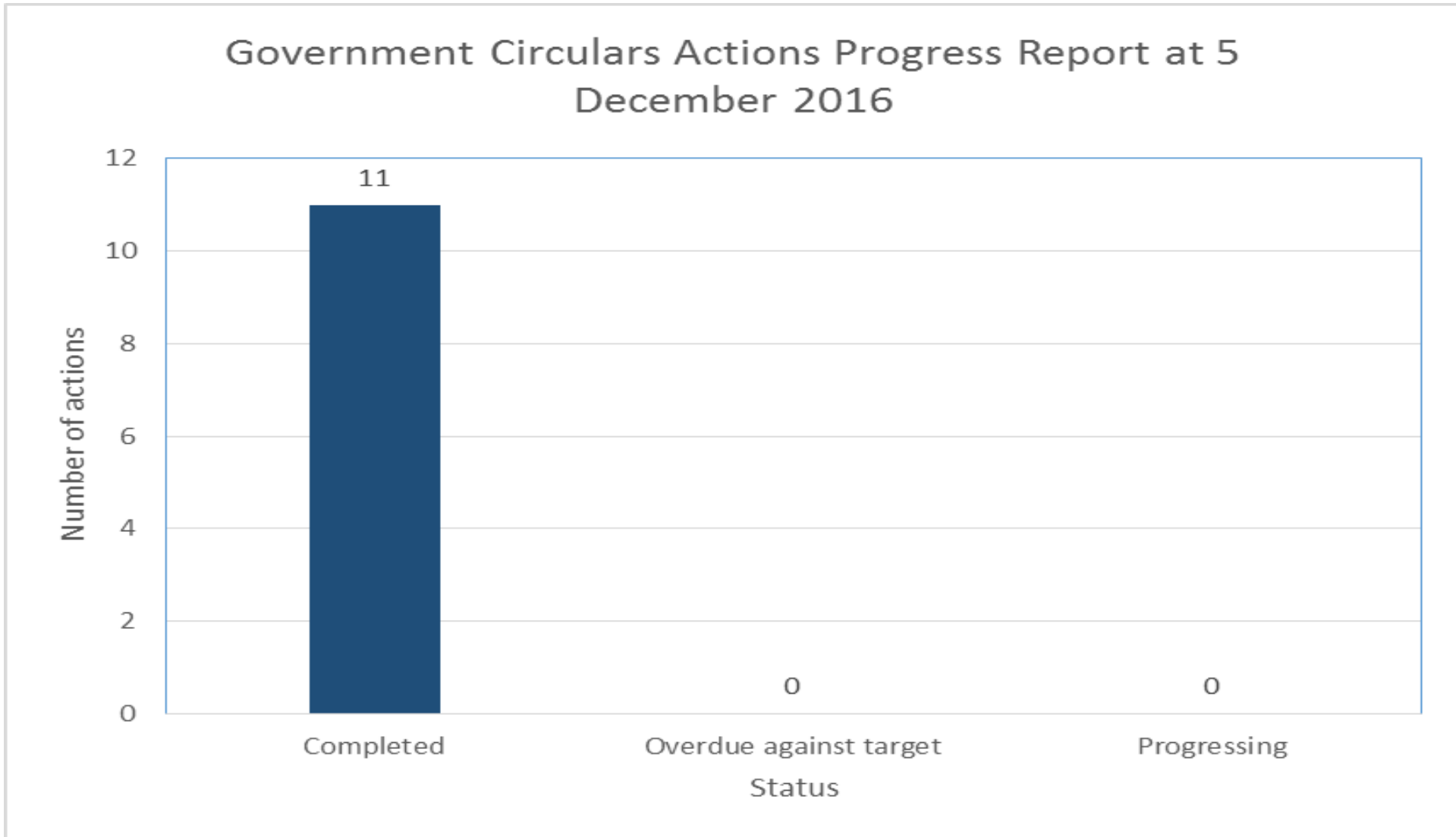
## (viii) Corporate Scheme Actions snapshot of progress



(ix) **Government Circulars Action Report**

All Government circular actions have been completed.

(x) **Government Circulars Snapshot of progress**



## AGENDA ITEM NO 15

**Scrutiny of Strategic Objectives**



## Strategic Plan 2016/17 Report Card

Strategic Objective 01	Supports	Lead Officer	Proposed Outcome
Reduce Risk in Our Communities		AT	<ol style="list-style-type: none"> <li>1. fewer deliberate fires</li> <li>2. few accidental fires</li> <li>3. fewer deaths and injuries from fire</li> <li>4. fewer emergencies that we have to respond to</li> <li>5. Risk Reduction Strategy in place</li> </ol>
Progress Update	<p>Q1 2016/17 statistical information:</p> <ul style="list-style-type: none"> <li>• The total number of incidents attended by the Service in quarter 1 of 2016/17 was 4683.</li> <li>• This represents a decrease of 915 (-16.35%) incidents compared to the first quarter of 2015/16.</li> <li>• The total number of fires attended by the Service in quarter 1 of 2016/17 was 1783.</li> <li>• This represents a decrease of 900 (-33.54%) incidents compared to the first quarter of 2015/16.</li> <li>• The number of deliberate fires attended by the Service in quarter 1 of 2016/17 was 1339.</li> <li>• This represents a decrease of 848 (-38.77%) incidents compared to the first quarter of 2015/16.</li> <li>• The number of accidental fires attended by the Service in quarter 1 of 2016/17 was 444.</li> <li>• This represents a decrease of 52 (-10.48%) incidents compared to the first quarter of 2015/16.</li> <li>• The number of fire deaths in quarter 1 of 2016/17 was 2.</li> <li>• This represents a decrease of 1 fatality compared to the first quarter of 2015/16.</li> <li>• The number of fire injuries (serious &amp; slight) in quarter 1 of 2016/17 was 17.</li> <li>• This represents a decrease of 1 injury compared to the first quarter of 2015/16.</li> </ul> <p>Q2 2016/17 – statistical data not yet available.</p> <p>Q3 2016/17 statistical information:</p> <ul style="list-style-type: none"> <li>• The total number of incidents attended by the Service in quarter 3 of 2016/17 was 4472.</li> <li>• This represents an increase of 360 (+8.75%) incidents compared to the third quarter of 2015/16.</li> <li>• The total number of fires attended by the Service in quarter 3 of 2016/17 was 1503.</li> <li>• This represents an increase of 308 (+25.77%) incidents compared to the third quarter of 2015/16.</li> <li>• The number of deliberate fires attended by the Service in quarter 3 of 2016/17 was 1009.</li> <li>• This represents an increase of 253 (+33.47%) incidents compared to the third quarter of 2015/16.</li> <li>• The number of accidental fires attended by the Service in quarter 3 of 2016/17 was 494.</li> <li>• This represents an increase of 55 (+12.53%) incidents compared to the third quarter of 2015/16.</li> </ul>		

	<ul style="list-style-type: none"> <li>• There were no fire deaths in quarter 3 of 2016/17.</li> <li>• There were 3 fire deaths in quarter 3 of 2015/16.</li> <li>• The number of fire injuries (serious &amp; slight) in quarter 3 of 2016/17 was 13.</li> <li>• This represents a decrease of 8 (-38.10%) injuries compared to the third quarter of 2015/16.</li> <li>• injuries compared to the third quarter of 2015/16.</li> <li>• Unwanted Fire Signals Pilot is being developed in the Royal Gwent hospital. No response to UFS to the Celtic Manor Resort during the daytime. Call challenging started by Fire Control.</li> </ul> <p>Update:</p> <ul style="list-style-type: none"> <li>• Group Managers have established themselves as a statutory partner on each of the PSBs.</li> <li>• Weekly multi-agency telephone conferences had taken place for the quarter for 'Dawns Glow'. Targeted activities have taken place in 'hot spot' areas, such as diversionary activities and visible patrols in high risk areas.</li> <li>• Completed visits to most vulnerable homes. Burns data is being shared from UHW Emergency Unit Department.</li> <li>• Set up Task and Finish Groups on an All Wales basis for vulnerable people.</li> <li>• Business Fire Safety Department continues to target high risk premises in line with the Fire Safety Order. Through thematic inspections (ie sleeping accommodation above commercial premises) enforcement/prosecution activity has increased with successful outcomes.</li> </ul>
<b>Risk Update</b>	<ol style="list-style-type: none"> <li>1. If there is a prolonged spell of hot and dry weather during the 2<sup>nd</sup> quarter there is the potential for an increase in deliberate Wildfire setting.</li> </ol>
<b>Proposed Future Actions</b>	<ul style="list-style-type: none"> <li>• Support national Business Fire Safety Week by arranging a workshop in Cardiff for local businesses to attend and engage/advise on responsibilities, risk assessments etc.</li> <li>• Seminar planned for businesses within South Wales providing advice and guidance on complying with the Fire Safety Order.</li> <li>• Provision of hospital burns data to enhance the understanding of vulnerable life styles.</li> <li>• Improving the 'making every contact count' by changing the current Home Fire Safety Checks into Safe and Well visits. This will involve the recognition and removal of risks including trips/fall hazards.</li> <li>• Carer, district nurse training to help them recognise fire risk and creating easy routes to refer vulnerable persons to South Wales Fire &amp; Rescue Service.</li> <li>• Carers' seminar on the 19/10/16 at South Wales Fire &amp; Rescue Service HQ to improve the need for information sharing to do more for vulnerable persons; several key agencies presenting at this event.</li> <li>• Dedicated safeguarding post in South Wales Fire &amp; Rescue Service to ensure that improved referral routes are achieved.</li> <li>• Domestic abuse – supporting protection of older vulnerable persons.</li> <li>• Utilising several sets of data (Exeter, Western Power etc) to improve identification of risk.</li> </ul>



	<ul style="list-style-type: none"> <li>• Domestic abuse project to facilitate survivors and their children through Fire &amp; Rescue Service projects.</li> <li>• Early prevention information provided to refugees to ensure home safety.</li> <li>• Information exchange at MARACs is formalised with 5 unitary authorities with an aim to reduce and inform risk of fire and potential victims with an aim to cover all unitary authorities.</li> <li>• Meeting with Janine Roderick to explore the use of Adverse Childhood Experiences into CS initiatives.</li> <li>• Task &amp; Finish Group set up to address deliberate fire setting in Newport.</li> <li>• PCC has given funding for an Arson Co-ordinator to operate in the Gwent Police force area. 3 PCSOs have also be allocated to this project.</li> <li>• A planning meeting and telephone conference timetable is taking place for the 2017 Dawn's Glow Campaign. In SWFRS Newport and Caerphilly will be the focus of this year's campaign.</li> <li>• Targeted campaigns in Grange Town area seen reduction to 0 of deliberate fires</li> <li>• Multi Agency Targeted events in Duffryn, Ringland and Liswerry have resulted in a reduction of deliberate fires.</li> <li>• Partnership have been set up with Newport and Bridgend Falls teams in preparation for Safe and Well visits is complete.</li> </ul>
<p style="text-align: center;"><b>Notable or key Achievements, Improvements or Efficiencies</b></p>	<ul style="list-style-type: none"> <li>• Significant reduction in the number of fires attended in the first quarter, in particular the deliberate fires have reduced by 39%.</li> <li>• HSC are being carried out in 86% of homes deemed as high risk.</li> </ul>

Strategic Objective 02	Supports	Lead Officer	Proposed Outcome
Engage & Consult with Our Staff, Communities & Stakeholders to Jointly Shape our Future Services		SC	<ol style="list-style-type: none"> <li>1. engagement exercises complete;</li> <li>2. views received;</li> <li>3. views analysed and fed into decision making process;</li> <li>4. feedback given on what we did as a consequence of their engagement</li> <li>5. engagement strategy in place</li> </ol>
Progress Update	<p>Q1 2016/17</p> <ul style="list-style-type: none"> <li>• Internal staff engagement has continued in relation the second tranche of process reviews under the Shaping our Future programme.</li> <li>• Engagement page on internet created.</li> </ul> <p>Q2 2016/17</p> <ul style="list-style-type: none"> <li>• Attraction and Diversity campaign: Phase 1 (10 September 2016 - 23 September 2016) involved a key focus on engaging with our communities at key events such as Pretty Muddy in Bute Park and also throughout colleges and cinemas in the Service area with the main aim of promoting SWFRS as an Employer of Choice.</li> <li>• Phase 2 (26 September 2016 - 7 October 2016) starts with the full launch of the Service's new Careers DVD and internet pages.</li> <li>• Wellbeing assessments – continued involvement with the engagement groups under each PSB, with support given for the engagement activities in each to feed into the assessment. Activities include promotion of the online surveys through the consultation panel, attendance at a pre-planned station event.</li> <li>• The engagement page of the internet is being updated to include links to ongoing surveys.</li> <li>• CEG has started preparation for the 2017 'We Are...' engagement campaign; a plan is being formalised to adapt the equality and diversity approach so it will be less detailed but more focussed.</li> <li>• On-going Community Safety engagement and education including Cardiff Fresher's week; Gas Safety Week; Business Fire Safety Week and various community events over the summer months.</li> <li>• Links are being created between departments to share information on engagement activities internally and externally to make better use of resources and encourage collaborative working.</li> </ul> <p>Q3 2016/17</p> <ul style="list-style-type: none"> <li>• Public consultation and engagement on the Service's Strategic Priorities for 2017/18 carried out.</li> <li>• Engagement Strategy agreed by CEG.</li> </ul>		

	<ul style="list-style-type: none"> <li>• Central database of contacts and stakeholders for engagement activities established and expanding.</li> <li>• Tender for media monitoring system issued (to be awarded in Q4)</li> <li>• Scoping work on the internet/intranet project commenced and meeting arranged for beginning of Q4 to confirm Service requirements.</li> <li>• NIC website refreshed and relaunched.</li> <li>• NIC Middle Manager conference held and evaluated.</li> <li>• Campaigns wheel completed and in use at internal and external meetings.</li> <li>• Ops review looking at feasibility of use of social media to engage with communities. To report to SMT in in Q4.</li> <li>• Action Days run in Newport as part of Operation Bang.</li> </ul>
<b>Risk Update</b>	<ol style="list-style-type: none"> <li>1. Capacity &amp; resources to conduct engagement</li> <li>2. Managing public &amp; stakeholder expectations</li> <li>3. Willingness and capacity of individuals to engage - engagement fatigue</li> <li>4. Inconsistent attendance at community engagement group could jeopardise effectiveness</li> </ol>
<b>Proposed Future Actions</b>	<ul style="list-style-type: none"> <li>• Report to SMT on future public consultation in 2017</li> <li>• Planning for 'What Matters to You' 2017</li> <li>• Project Plan for internet and intranet projects to be prepared</li> </ul>
<b>Notable or key Achievements, Improvements or Efficiencies</b>	<ul style="list-style-type: none"> <li>• NIC Middle Manager Conference</li> </ul>

Strategic Objective 03	Supports	Lead Officer	Proposed Outcome
Align our Resources to Ensure they are Fit for Purpose and Sustainable for the Future		SC	<ol style="list-style-type: none"> <li>1. People Plan in place</li> <li>2. Asset Management Strategy in place</li> <li>3. MTFP in place to deliver Service requirements</li> </ol>
Progress Update	<p>Q1 2016/17</p> <ul style="list-style-type: none"> <li>• All Wales HR Collaborative Strategy established and ratified through POD.</li> <li>• All Wales Training Managers' Group has met and addressed training delivery requirements.</li> <li>• Alternatives to existing training delivery models have been examined.</li> <li>• Pan-Wales ADCs have been programmed to take place over the next 12 months.</li> <li>• Staff Development Board has met to consider succession planning matters and people development opportunities.</li> <li>• Workforce modelling meetings have been held and recruitment campaigns have been programmed for operational staff groups.</li> <li>• Review of asset systems under Shaping Our Future completed.</li> <li>• Negotiations on changes to booking of PHs arising from Shaping Out Future feedback continue.</li> </ul> <p>Q2 2016/17</p> <ul style="list-style-type: none"> <li>• Shaping Our Future Programme continues its review of Fleet Services with some improvements already being implemented.</li> <li>• SMT review of budgets, projects and staffing completed.</li> <li>• SMT review of strategic plan and strategic priorities for 2017 within available resources and against Wellbeing objectives completed in Q2 ready for public consultation.</li> </ul> <p>Q3 2016/17</p> <ul style="list-style-type: none"> <li>• Changes to booking of PHs arising from Shaping Our Future feedback completed.</li> <li>• Operational staff recruitment campaigns have been initiated.</li> <li>• Shaping Our Future Programme continues: implementation of Fleet Review, Flexible Rostering Review, Equalities Review, continuation of Data Review, Secretariat Review, Training Review; and entering re-evaluation phase of ICT Review and Policy Review.</li> <li>• Budget for 2017/18 set by Fire &amp; Rescue Authority.</li> <li>• Heads of Service meetings to review Service Structure have taken place with further meetings</li> </ul>		

	<p>scheduled for Q4.</p> <ul style="list-style-type: none"> <li>Statement of Accounts identified improvements to accounting procedures for Authority's assets which will be taken on board by the Service during the next accounting period.</li> </ul>
<p><b>Risk Update</b></p>	<ol style="list-style-type: none"> <li>Operational staff turnover/retirement rates remain consistently high.</li> <li>Recruitment and assessment/development requirements increases demand on limited staff resources.</li> <li>Sickness absence rates appear to be fluctuating outside acknowledged parameters.</li> <li>CORE HR Payroll system has taken longer than anticipated due to software and FRS related technical issues.</li> <li>Inability of Welsh Government to set longer term budgets due to UK settlements being annual only.</li> <li>CORE HR Payroll software implementation impacts on payroll section workload</li> </ol>
<p><b>Proposed Future Actions</b></p>	<ul style="list-style-type: none"> <li>A range of recruitment campaigns have been programmed for operational staff groups.</li> <li>Pan-Wales ADCs have been programmed throughout 2016/17.</li> <li>Additional CORE international technical support is being obtained.</li> <li>Oracle Business Information linked to CORE HR data sets are being developed to assist workforce planning.</li> <li>CORE end user support has being requested to enable "end of year" actions to be completed on time.</li> <li>CORE "expenses" is being scheduled for introduction within the next 12 months.</li> </ul>
<p><b>Notable or key Achievements, Improvements or Efficiencies</b></p>	<ul style="list-style-type: none"> <li>Pan-Wales collaborative activity has partially mitigated resourcing demand issues.</li> <li>Engagement with communities has increased as a response to pre-recruitment activity.</li> <li>Links to other public sector bodies (police forces, local authorities and WAST) and private sector (Babcock International) have been widened in response to developing Service needs.</li> </ul>

Strategic Objective 04	Supports	Lead Officer	Proposed Outcome
<p align="center"><b>Make Use of Technological Advances to meet Service Improvements and Requirements</b></p>		<p align="center"><b>RP</b></p>	<ol style="list-style-type: none"> <li>1. Key ICT systems in place</li> <li>2. ICT resources &amp; skills aligned to Service requirements</li> <li>3. development timeline in place and linked to people plan and MTFP</li> <li>4. ICT strategy in place</li> </ol>
<p align="center"><b>Progress Update</b></p>	<p>Q1 2016/17</p> <ul style="list-style-type: none"> <li>• VDI station rollout completed.</li> <li>• CORE HR payroll module in live state; letter sent to CEO regarding outstanding improvement requirements and upgrade to latest version of software.</li> <li>• West Midlands G2D contract signed.</li> <li>• G2D Gazetteer and SSRI gone live.</li> </ul> <p>Q2 2016/17</p> <ul style="list-style-type: none"> <li>• VDI rollout to HQ started.</li> <li>• Remote access renewal started.</li> <li>• Laptop rollout commenced.</li> <li>• Station alert system replacement programme commenced (completion estimated January 2017).</li> <li>• ESN project group established and continuing to make progress towards transition from Airwave.</li> <li>• CORE HR – project plan for transition to version 23 underway.</li> <li>• Business Fire Safety system – procurement of replacement hardware underway; Business Fire Safety management system underway with collaboration with West Midlands FRS.</li> </ul> <p>Q3 2016/17</p> <ul style="list-style-type: none"> <li>• CORE HR – version 23, implemented and provides a stable platform.</li> <li>• Scoping work on internet/intranet project commenced.</li> <li>• Tender for Business Management Information System published.</li> <li>• Evaluation of Asset Management tender returns completed. Further clarification sought from tenderers on various issues.</li> <li>• Re-evaluation of Shaping Our Future Programme postponed until Q4.</li> </ul>		
<p align="center"><b>Risk Update</b></p>	<ol style="list-style-type: none"> <li>1. Uncertainty surrounding ESN at a UK level.</li> <li>2. Fire Control – delay in new Capita Command and Control System.</li> </ol>		

	<ol style="list-style-type: none"> <li>3. CORE HR – full integration into Service will depend on success of version upgrade.</li> <li>4. Further aspects of CORE HR development will depend on version upgrade requirements and resource capacity.</li> </ol>
<p style="text-align: center;"><b>Proposed Future Actions</b></p>	<ul style="list-style-type: none"> <li>• Completion of VDI transition to HQ and Cardiff Gate.</li> <li>• Completion of laptop rollout.</li> <li>• Introducing layered security to support new remote access solution.</li> <li>• Completion of Station alert systems.</li> <li>• Transition from CORE HR version 20 to version 23.</li> </ul>
<p style="text-align: center;"><b>Notable or key Achievements, Improvements or Efficiencies</b></p>	<ul style="list-style-type: none"> <li>• Roll out of VDI to Stations</li> <li>• 4 stations have received new alert systems</li> <li>• G2D SSRI is in final test stage and due for launch January 2017</li> <li>• CORE HR version 23, implemented successfully and has been shown to provide a stable payroll platform</li> </ul>

Strategic Objective 05	Supports	Lead Officer	Proposed Outcome
Explore Partnership & Collaborative Opportunities to Improve Outcomes		SC	<ol style="list-style-type: none"> <li>1. determine parameters for effective collaboration</li> <li>2. potential collaborations/partners identified</li> <li>3. potential outcomes identified</li> <li>4. evidence based management decision taken on potential collaboration</li> </ol>
Progress Update	<p>Q1 &amp; Q2 2016/17</p> <ul style="list-style-type: none"> <li>• Continued involvement in the National Issues Committee.</li> <li>• Continue to be actively involved in the Gwent and South Wales Local Resilience Forums.</li> <li>• Building work is completed on the Joint Public Services Centre Project.</li> <li>• Discussions continue with WAST to extend the number of collaborative ventures at our sites.</li> <li>• The Fire Medical Response pilot has been extended to 2017.</li> <li>• Discussions continue with Gwent and South Wales Police forces to explore collaborative opportunities.</li> <li>• The Service is involved in nine Public Service Boards.</li> </ul> <p>Q3 2016/17</p> <ul style="list-style-type: none"> <li>• Work continues in all areas identified in Q1 &amp; 2 updates.</li> <li>• Work has commenced on a structure for corporate peer assessments.</li> </ul>		
Risk Update	<ol style="list-style-type: none"> <li>1. Capacity and resources.</li> <li>2. Changing environment and risks.</li> <li>3. Willingness of partners – agenda and resources change.</li> <li>4. Time taken to deliver collaborations.</li> </ol>		
Proposed Future Actions	<ul style="list-style-type: none"> <li>• Consideration of Occupational Health collaboration post end of lease term.</li> <li>• Opening discussion with South Wales Police/Gwent Police to explore occupational health service options</li> <li>• Watching brief for anticipated White Paper on Local Government/Fire Reform</li> </ul>		
Notable or key Achievements, Improvements or Efficiencies			







## **CORPORATE RISK REGISTER 2016/17 – QUARTER 3 REVIEW**

### **SUMMARY**

To consider the risks within the Corporate Risk Register and the management of these risks.

### **RECOMMENDATIONS**

That Members view the risks contained within the Strategic Corporate Risk Register and agree their validity.

## **1. BACKGROUND**

- 1.1 The Fire & Rescue Service National Framework for Wales and the Wales Programme for Improvement Framework requires Fire & Rescue Services to consider risk management whilst discharging its statutory duties, and take into account the risks facing the organisation when making strategic decisions.
- 1.2 Corporate risk is an event that has the potential to help or hinder the achievement of a strategic objective or the delivery of core business. All risks are rated as manageable (low), material (medium) or significant (high) in accordance with the table in Appendix 1.
- 1.3 Directors, department heads and team leaders are responsible for identifying risks during the business planning process and taking the appropriate actions to manage or mitigate risk within their areas. Only risks that impact upon the achievement of a strategic objective or delivery of core business are monitored via the Corporate Risk Register.
- 1.4 The Senior Management Team formally reviews the Corporate Risk Register on a regular basis and endorses the inclusion of any new or emerging risks identified.

## **2. ISSUE**

- 2.1 Members will note that last quarter the register was split into strategic and operations risks to enable greater focus. For the purposes of this report, detail will be provided on the strategic risks only. Operational risks will form part of the ongoing Senior Management Team monitoring and scrutiny.

- 2.2 There are currently 9 risks on the Strategic register; of these 7 are rated significant (high), 1 is material (medium), 1 is manageable (low).
- 2.3 The Operational register contains 8 risks; of these 2 are rated significant (high), 3 are material (medium), 3 are manageable (low).
- 2.4 Attached at Appendix 2 is a diagram showing the overall risk profile of all the live strategic (bold outline) and operational (regular outline) risks according to residual risk score.
- 2.5 Appendix 3 shows those live strategic risks where the residual score differs from the inherent score.
- 2.6 Appendix 4 shows those live strategic risks where the residual score is unchanged from the inherent score.
- 2.7 Appendix 5 shows progress updates recorded during quarter 3 for all strategic risks categorised according to significant, material and manageable.

### 3. EQUALITY RISK ASSESSMENT

- 3.1 It is the responsibility of each risk owner to ensure that appropriate assessment of risk in relation to equality and diversity has been carried out across all relevant supporting activity levels.

### 4. RECOMMENDATIONS

- 4.1 That Members view the risks contained within the Strategic Corporate Risk Register and agree their validity.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Jemma Trivett Engagement, Transformation & Performance Management Officer	Appendix 1 – Scoring tables Appendix 2 – Risk matrix of all Corporate risks by residual score Appendix 3 – Strategic risks where the residual score has reduced from the inherent score Appendix 4 – Strategic score where the residual score is unchanged from the inherent score Appendix 5 – Strategic risks updates



## Scoring tables

### Guide to Likelihood Risk Scoring

Score	Likelihood
1	Low 0-5% extremely unlikely or virtually impossible
2	Low/Medium 6-25% unlikely to happen
3	Medium 26-50% fairly likely or possible to occur
4	Medium/High 51-75% probable, more likely to occur than not
5	High 76% + almost certainly will occur

### Guide to Impact Risk Scoring

Score	Impact
1	<b>Minimal impact:</b> - Minimal harm, loss or delay with no measurable impact.
2	<b>Minor impact: - EITHER:</b> Short term minor harm, loss of staff, delay or interruption. <b>OR:</b> Minor impact on service delivery. Can be easily and quickly remedied.
4	<b>Moderate impact: EITHER:</b> Permanent or long term harm or loss of staff. <b>OR:</b> Loss of some service delivery. <b>OR:</b> Takes a medium term to remedy with some cost implications or adverse impact on service delivery.
8	<b>Major impact: EITHER:</b> Major or significant impact, harm or traumatic / stressful consequences for many. <b>OR:</b> Significantly reduced service delivery. <b>OR:</b> A remedy maybe long term and expensive.
16	<b>Severe impact: EITHER:</b> Critical impact on the achievement of objectives or service undeliverable. <b>OR:</b> Serious or huge impact on quality, costs or reputation. <b>OR:</b> Very difficult or impossible to remedy at best long term effects and major cost implications.

**Risk Score = Likelihood of Occurrence x Potential Impact**

Risk Score	Risk Rating	Comment
1-4	Low	Manageable Risks - SWFRS is content to carry these risks. Managers still need to record that the risk has been identified and monitor regularly to ensure that the risk does not increase. However, due to the low likelihood or impact it is not necessary to take any further action.
5-12	Medium	Material Risks - SWFRS is concerned about these risks and they need to be managed by the risk owner.
16-80	High	Significant Risks - SWFRS is most concerned about these risks. These risks will be reviewed regularly by the ELT/SMT and the risk owner should continually monitor and take appropriate action to manage the risk.

Risk matrix of all Corporate risks by residual score

<b>IMPACT</b>	16	32	80.6 48	64	80
	8	101 16	190 70 24	19b 80.4 32	140 110 40
	4	80.1 8	80.2 77 12	11	09 20
	2	80.5 4	6	8	10
	120 130 1 1	14 2	3	4	5
	<b>LIKELIHOOD</b>				





## Strategic risks where the residual score has reduced from the inherent score

Ref			Inherent score	Current residual score
	Strategic			
	IF	THEN		
80.6	the ICT vision, infrastructure, capacity and capability to facilitate new and improved ways of working are not challenging, robust and sufficient	service delivery may be impacted and the change required to secure the future sustainability of the service will not be made	80	48
19b	we suffered the loss of life/life changing injuries of a member of staff or a member of the public through the commission of our duties	potential corporate or criminal liability could ensue. Other consequences that could arise are negative media attention, negative public perception, a loss of trust and confidence of the Management team by staff	80	24
09	strategic transformation issues, redundancies or national pay negotiations are seen as adverse	there is a risk of industrial action by staff and / or potential loss of experienced staff	80	20
101	the Emergency Services Network does not deliver a replacement for Airwave in a suitable timeframe	the service may be compromised in its ability to deliver a secure, efficient, resilient and cost effective communications network	32	16
190	the Service is not adequately prepared to respond to a Terrorist-related incident	risks are presented in terms of the Services ability to ensure effective Firefighter safety, public confidence, public protection and consequential loss of life	32	16
80.1	the SOF programme is not managed, planned, resourced and supported effectively	the changes required to secure the future sustainability of the service within reduced financial resources will not be delivered	80	8
120	legislation relating to pension contributions, employment law and taxation have a negative effect on the composition of our workforce	we will face service delivery and financial consequences	32	1



**Strategic score where the residual score is unchanged from the inherent score**

Ref			Inherent and residual scores
	Strategic		
	IF	THEN	
70	information management systems are not adequate	we will be in breach of our statutory duties	32
110	provision is not put in place to address the new EU Data regulations	we will be in breach of the regulations	40



## Significant strategic risks (High)

Risk Owner	Ref no	Risk Description	Score	Progress updates
S Chapman	80.6	IF the ICT vision, infrastructure, capacity and capability to facilitate new and improved ways of working are not challenging, robust and sufficient THEN service delivery may be impacted and the change required to secure the future sustainability of the service will not be made	48	Risk reviewed - scoring appropriate to reflect new adopted strategy and progress against key strategic projects within strategy. Capacity, skills and resilience for the longer term still raises some concern at this point in time.
S Chapman	110	IF provision is not put in place to address the new EU Data regulations THEN we will be in breach of the regulations	40	New risk - the service is under a duty to implement the new regs from May 2018. A gap analysis has been undertaken and an action plan of what needs to be completed is being prepared. At the current time this is being formulated and there are still a lot of unknowns, hence the inherent and residual scores being the same. The residual scores should reduce as we move closer to May 2018.

Risk Owner	Ref no	Risk Description	Score	Progress updates
S Chapman	70	IF information management systems are not adequate THEN we will be in breach of our statutory duties	32	Risk reviewed and score reduced. New risk created for EU data regs specifically. Since specific serious data breach, increased organisational awareness and more requests for advice / assistance on information management issues, so awareness increased. Low level issues continue to arise, but more self referrals to information officer considered positive. Removal of individual printers in HR taken place and PIN printers to be installed after Christmas in HR and CS first. Roll out of VDI nearing completion and includes inability of using memory stick unless work encrypted stick - issue re emailing sensitive documents arisen and being dealt with - education via station managers meetings and individual cases and fastracking ICT in ability to use portal.
H Jakeway	19b	IF we suffered the loss of life/life changing injuries of a member of staff or a member of the public through the commission of our duties THEN potential corporate or criminal liability could ensue. Other consequences that could arise are negative media attention, negative public perception, a loss of trust and confidence of the Management team by staff	24	Risk reviewed and remains extant.
H Jakeway	09	IF strategic transformation issues, redundancies or national pay negotiations are seen as adverse THEN there is a risk of industrial action by staff and / or potential loss of experienced staff	20	Table top exercise and live exercise completed to test resilience arrangements for loss of operational staff.

Risk Owner	Ref no	Risk Description	Score	Progress updates
R Prendergast	101	IF the Emergency Services Network does not deliver a replacement for Airwave in a suitable timeframe THEN the service may be compromised in its ability to deliver a secure, efficient, resilient and cost effective communications network	16	This national project is subject to delays. However we have established a project team for implementation.
R Prendergast	190	IF the Service is not adequately prepared to respond to a Terrorist-related incident THEN risks are presented in terms of the Services ability to ensure effective Firefighter safety, public confidence, public protection and consequential loss of life	16	The Service has conducted a range of exercises to assist preparedness including MTFA and mass decontamination. This is in the build up to the Champions League Final.

### Material strategic risks (Medium)

Risk Owner	Ref no	Risk Description	Score	Progress updates
S Chapman	80.1	IF the SOF programme is not managed, planned, resourced and supported effectively THEN the changes required to secure the future sustainability of the service within reduced financial resources will not be delivered	8	Risk reviewed and reduced due to some stability in resources balanced against workload at the current time. This will need reviewing again once structural review requires implementation and possibly other projects come to fruition and may require some temporary resources to ensure they deliver what the organization requires to move forward.



**Manageable strategic risks (Low)**

Risk Owner	Ref no	Risk Description	Score	Progress updates
P Haynes	120	IF legislation relating to pension contributions, employment law and taxation have a negative effect on the composition of our workforce THEN we will face service delivery and financial consequences	1	Throughout the last quarter of 2016 the HR & Equality Committee has received reports. The Local Pension Board Members have received training and completed the Pension Regulator's development scheme.



**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE HEAD OF FINANCE & PROCUREMENT

AGENDA ITEM NO 17  
3 APRIL 2017

## **FUEL MANAGEMENT REPORT**

### **SUMMARY**

The report provides an overview of the progress made to the recording and management of fuel usage in the Service, following the previous negative internal audit reports received.

### **RECOMMENDATION**

1. That the progress made on the implementation of the Fuel Management System and process improvements be noted.
2. Further work continues to develop the electronic recording of fuel card usage at forecourt pumps and integrate the information to the Fleet Management System.
3. That the installation of a fuel tank and pump at the Headquarters site be approved.
4. That fuel usage and management be included as an area for review in the Internal Audit Annual Plan for 2017/2018.

## **1. BACKGROUND**

- 1.1 Between 2010 and 2013, several internal audit reviews were undertaken in relation to the usage and storage of fuel within the Service. Throughout this period the internal auditors found that the controls in place to manage, monitor and secure fuel were insufficient, and required various improvements and management actions.
- 1.2 Following several follow up reports and fuel management strategy reports by management to the Finance, Audit & Performance Management Committee, and the Working Group, approval was given to create a fuel management reserve in July 2013, with a view to develop a business case and specification to purchase an electronic fuel management and recording system.
- 1.3 Following a successful tender process, a contract was awarded, and a system purchased from VecTec Ltd in November 2014.

## 2. ISSUE

2.1 The internal audit reports into fuel usage made various recommendations to improve management and control of fuel stocks held at various locations throughout the Service and the use of fuel cards by stations and departments where no fuel tanks are located i.e. RDS stations. Appendix 1 outlines the recommendations made by the various audit reviews.

2.1.1 Further to management actions being implemented and process improvements made, the Finance, Audit & Performance Management Committee approved the creation of a fuel management reserve in July 2013, towards the purchase of an electronic system to enable more robust control measures to be implemented.

2.1.2 A presentation was made by the then ACFO Technical Services to this Committee in January 2014, outlining the Fuel Management strategy and highlighted the business case for a fuel management system.

2.1.3 Following a review of the Service's requirements, a technical specification was developed by the ICT department in conjunction with the Fleet & Transport department, to provide an automated system which would enable the Service to monitor fuel usage, to automate re-orders and deliveries, restrict fuel issues to authorised Service vehicles, and to report usage trends and costs, etc.

2.1.4 A procurement tender exercise was completed resulting in a contract being awarded to the successful supplier 'VecTec Limited', in November 2014. During 2015, a programme across 24 sites where diesel storage tanks are located, took place to install the fuel dispensing recording monitors, Wi-Fi network equipment, electronic fuel pressure gauges, and the system software at Headquarters. This was followed by system administration to establish Service vehicle data, locations and drivers onto the software.

2.1.5 Following various delays to the 'go live' activation of the system, a stakeholder working group of officers was established in May 2016 to ensure the activation and development of the system. The group reviewed the issues which had led to the delays, and allocated responsibilities and actions to activate and test the usage of the system.

2.1.6 Prior to the system going live there remained several faults with fuel tags, faults on pumps, and automated ordering system

messages. Detailed procedures were issued to Stations, and a test live date of 1 July was implemented. Following the resolution of minor issues, the system was in live operation from 1 August, 2016, and all paper recording systems on Stations removed.

## 2.2 Current Status

2.2.1 The group has continued to monitor progress and resolve any issues since the full activation.

2.2.2 Currently all fuel tanks are fitted with fuel dispensing/recording equipment. Each service vehicle has been allocated a fuel 'fob' to record fuel transactions from service tanks. Automatic fuel reorder levels are set and generating purchase orders to replenish stock. Fuel management information available for reporting via the management system.

2.2.3 The next stages of the programme are to integrate the information from the fuel system into the Tranman Vehicle Management System to enable the Fleet Manager to have full vehicle cost data, and monitor vehicle fuel usage against expected levels.

2.2.4 It is also proposed to update the fuel card system and also integrate the associated information of fuel drawn from forecourts into the Tranman System.

2.2.5 A final stage of the review was to consider the auditors recommendation to install a fuel tank and pump at the Headquarters site. The current estimated costs for the groundworks, tank, pump, and installation is approximately £75,000 and planning permission is required. This facility would improve controls, reduce the cost of fuel for pool vehicles, and provide a more efficient process for vehicles which are currently taken to either the nearest Fire Station or forecourt to refuel.

## 3 FINANCIAL IMPLICATIONS

3.1 The installation of the VecTec system was contained within the Capital Programme, and funded from reserves in 2014. The costs related to the installation of a fuel tank, associated pump, and recording system which will be funded from estimated budget savings achieved against the fuel budget line, and the property planned maintenance revenue budget.

3.2 It is anticipated that the improved controls and management information will lead to further revenue savings in future. However, any market price increases in the cost of fuel will impact on the level of savings achieved.

#### **4 EQUALITY RISK ASSESSMENT**

- 4.1 There is no Equality Risk Assessment required directly for this report. An initial assessment would have been undertaken as part of the initial business case and system procurement. A further Equality Risk Assessment will be undertaken during the design and installation of a fuel tank at the Headquarters site.

#### **5 RECOMMENDATIONS**

- 5.1 That the progress made on the implementation of the Fuel Management System and process improvements be noted.
- 5.2 That further work continues to develop the electronic recording of fuel card usage at forecourt pumps, and integrate the information to the Fleet Management System.
- 5.3 That the installation of a fuel tank and pump at the Headquarters site be approved.
- 5.4 That fuel usage and management be included as an area for review in the Internal Audit Annual Plan for 2017/2018.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – List of recommendations made by Internal Auditor, Nov 2010-Sept 2013

**Appendix 1****INTERNAL AUDITORS RECOMMENDATIONS FOR  
FUEL MANAGEMENT****NOVEMBER 2010:-**

- The responsibility of the fuel pump at Pontyclun Station should be transferred from the Station to another party. Consideration should be given to the installation of a fuel pump at HQ to counteract lack of control and the increased usage of the pump at Pontyclun.
- There should only be one set of primary keys in existence for the fuel pump at Pontyclun Station in order to restrict access to the pump. These keys would only be accessible from the party responsible for the pump.
- It should be ensured that the 'S7' Tally Books submitted by the Stations are reviewed on a monthly basis to ensure compliance with the procedure.
- The Fuel Card Purchase 'S9' forms should be submitted to Procurement on a monthly basis in order for a reconciliation to be made against the monthly Arval statements.
- Stations should be reminded of the need to comply with the procedure and undertake a dip reading on a weekly and monthly basis and before and after receipt of fuel.
- Stations should be reminded of the need to adhere to the procedure and re-order fuel at the stated level to ensure supplies do not run out.
- An officer should be nominated to confirm receipt of fuel at Pontyclun Station. This would ensure that dips are appropriately conducted and that fuel ordered is actually received.
- Consideration should be given to implementing an electronic information system to which Stations could submit fuel tank information.
- It should be ensured that Vehicle Log Books are completed for each vehicle type outlined in the procedure in order to confirm how much fuel is being used.
- A system should be implemented to ensure that all documentation is received into a named post/officer within HQ and filed suitably

- It should be ensured that all Stations submit their Fuel Card Purchase slips on a monthly basis to a named post/officer within HQ. Where these have not been received the Stations should be chased up.
- Outstanding monthly fuel statements from Arval should be chased up as soon as possible.
- Stations should be reminded of the need to comply with the procedures for the Use of Fuel Cards and submit a receipt for each purchase made with the Fuel Card. Where a receipt has not been submitted to HQ, the Station should be chased up.
- The monthly fuel card statements should be evaluated for management information on the forecourts visited and the pump prices paid for fuel by each Station.
- It should be ensured that fuel expenditure is monitored on a continuous basis and reported throughout the organisation as appropriate. A trend analysis should also be carried out as part of this process.
- The draft version of OPPD 19 should be finalised, implemented, and disseminated.
- Consideration should be given to amending the re-order level of fuel for the fuel tanks at Stations.
- The Fuel Card Procedure should be issued with all new Fuel Cards. A signature must be obtained to confirm receipt of the card and agreement to comply with the stated procedure.
- At present there is little need for two fuel tanks at Barry Station. Consideration should be given to the removal of tank 1.



## MARCH 2012

- A designated officer or department should be assigned the responsibility of fuel management with the Service.
- It should be ensured that the 'S7' Tally Books submitted by the Stations are reviewed on a monthly basis to ensure compliance with the procedure.
- Stations should be reminded of the need to comply with the procedure and undertake a dip reading on a weekly and monthly basis and before and after receipt of fuel.
- The accuracy of the fuel gauge at Pontyclun should be checked and continually monitored until reliance can be placed on its accuracy.
- The South Wales Fire & Rescue Service should agree an adequate fuel re-order level and this should be communicated to all Stations to ensure fuel shortages are not experienced.
- It should be ensured that Vehicle Log Books are completed for each vehicle type outlined in the procedure in order to confirm how much fuel is being used.
- A nominated officer should be assigned for the completion of the Fuel Card reconciliation. The Fuel Card Statements should only be filed once they have been completely reconciled and no S9's are outstanding.
- The monthly fuel card statements should be evaluated for management information on the forecourts visited, and the pump prices paid for fuel by each Station.
- The Fuel Card Procedure should be issued with all new Fuel Cards. A signature must be obtained to confirm receipt of the card and agreement to comply with the stated procedures.

**SEPTEMBER 2013**

- All Station Commanders be instructed to fully comply with the requirements of the OP-03.003 when completing S7 tally sheets.
- All Stations be instructed to undertake pre and post dips when receiving fuel deliveries and to undertake the required weekly and monthly dips.
- Those Stations not complying with their minimum order volume be instructed to comply.
- All Stations be reminded of the requirement to fully complete S9 tally sheets each month including naming all S9 sheets, naming any loose receipts and that S9 tally sheets are required per Station rather than per shift.

## **NATO FINANCIAL REPORT**

### **SUMMARY**

This paper provides the FAPM with an overview of the costs incurred by SWFRS to deliver a safe and successful NATO Summit and also an overview of the cost recovery.

### **RECOMMENDATIONS**

That members note and accept the costs associated with delivering the Fire element of the NATO conference.

That Members approve the formal write off of the debt relating to £50,473 from Gwent Police.

## **1. BACKGROUND**

- 1.1 Operation Ismay was the policing and security operation for the NATO Summit which was held at the Celtic Manor Resort. The event took place on the 4th and 5th September 2014. It was hosted by Prime Minister David Cameron, on behalf of NATO and was the largest security operation in Post War UK history.
- 1.2 As a category one responder (as defined in the Civil Contingencies Act 2004) SWFRS has a duty to plan and respond to major events within the Gwent and South Wales Local Resilience Forum areas.
- 1.3 As a devolved Service it was clear from the outset, within the Lead Planners meetings, that there would be no guarantee that any devolved service would be able to reclaim costs incurred.

## **2. ISSUE**

- 2.1 SWFRS were integral to planning of and safe delivery of the NATO conference. SWFRS were responsible for providing the following capabilities for the event:
  - Chemical Biological Radiological Nuclear and Explosive monitoring and response
  - A marauding Fire Arms Capability / Urban Search and Rescue

- A mobile Fire Station inside the Celtic Manor Resort
- A rapid response capability along the M4
- A Firefighting Capability inside Cardiff Castle
- A suitable Command and Control structure

- 2.2 It was clear from the outset that not all costs incurred to facilitate this event would be covered from Central Government and accordingly, the Fire Authority made provision in its revenue budget of £50,000 for the costs of the NATO summit but recognised that all efforts would be made to recover costs wherever possible.
- 2.3 Initial planning was for the NATO conference to be delivered outside of 'business as usual'. This required the use of off duty assets and it was calculated that costs to facilitate all areas of the plan could reach approximately £300,000.
- 2.4 Given the significant potential cost burden it was deemed more prudent to absorb the NATO conference into business as usual. The concept being, that SWFRS would deliver all areas required and pursue cost recovery post event with Government Departments. There was no upfront provision of resources from Central Government to organisations involved in the event.
- 2.5 To deliver such a range of capabilities it was necessary to reach out to other UK Fire and Rescue Services to provide additional specialist resources. These included provision of a MTFA Team from Merseyside and additional HDIM Officers from various services.
- 2.6 The event was subsequently delivered and was a huge success. This enhanced the reputation of Wales and SWFRS on a global stage.
- 2.7 Following delivery of the event we entered the cost recovery phase and invoices were sent out to the Foreign and Commonwealth Office (FCO), Welsh Government (WG) and Gwent Police. We successfully managed to glean cost recovery from the FCO and WG, however despite protracted efforts and negotiations, the Home Office (via Gwent Police) would not accept liability for the HDIM costs.
- 2.8 It was always recognised that there would be elements of cost incurred by emergency services which would be deemed to be in the 'normal' course of business notwithstanding the extraordinary nature of the NATO event and the costs in question fall into this category.

2.9 In accordance with financial regulations, writing off of any debt in excess of £10,000 requires approval of FAPM Committee hence the recommendation in this report.

### 3. FINANCIAL IMPLICATIONS

3.1 The final figure for NATO incurred by SWFRS is shown in the table below with total net expenditure for the event being £59,053.

		2013/14 £	2014/15 £
<b>EXPENDITURE</b>	TRAINING COURSES		2,245
	KITCHEN EQUIPMENT		17
	OPERATIONAL EQUIPMENT		9,918
	OTHER EQUIPMENT		40
	CONSUMABLES		247
	ICT EQUIPMENT		53
	SPECIAL CLOTHING		392
	LEAFLETS		150
	FIRE GROUND PROVISIONS		215
	CATERING SUPPLIES		1,499
	VEHICLE PARTS (DP)		12
	3RD PARTY COSTS		84,359
	SALARIES	8,696	42,866
	MILEAGE CLAIMS		2,338
	SUBSISTENCE CLAIMS		521
	PUBLIC TRANSPORT CLAIMS		73
	ACCOMMODATION CLAIMS		3,720
		<b>8,696</b>	<b>148,665</b>
<b>INCOME</b>	GWENT POLICE	(8,696)	
	WELSH GOVERNMENT		(41,000)
	FOREIGN & COMMONWEALTH OFFICE		(46,188)
	OTHER EXTERNAL CONTRIBUTIONS		(2,424)
<b>NET POSITION</b>		<b>0</b>	<b>59,053</b>

3.2 The Service were successful in recovering £41,000 from WG and £46,100 from the FCO, whilst it was unsuccessful in recovering £50,473 from Gwent Police and accordingly, this sum needs to be formally written off as unrecoverable.

3.3 The Service was aware of the potential difficulties in recovering this sum and in accordance with proper practice, made financial provision in its accounts for the year ended 31<sup>st</sup> March 2016. The decision to formally write off the debt will not therefore impact the financial position of the

Authority reported in the accounts for 15/16 or the current year's revenue budget monitoring position as reported to FAPM.

#### **4. EQUALITY RISK ASSESSMENT**

4.1 There are no equalities impacts arising from the report

#### **5. RECOMMENDATIONS**

5.1 That members note and accept the costs associated with delivering the Fire element of the NATO conference.

5.2 That Members approve the formal write off of the debt relating to £50,473 from Gwent Police.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Richard Prendergast Assistant Chief Fire Officer	None

**FORWARD WORK PROGRAMME FOR  
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2016/17**

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	DCO  Contact Officer: Geraint Thomas	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO  Contact Officer: Dai Morris	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	ACFO SD  Contact Officer: Dai Morris	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO  Contact Officer: Sally Chapman	
18 July 2016	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed
18 July 2016	Capital Outturn	To advise on total capital expenditure for the year against the set capital budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
18 July 2016	Statement of Accounts	To advise Members of the content of the Statement	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	Completed
18 July 2016	Medium Term Financial Strategy Update	To Update Members on the MTFs to inform and influence the 2017/18 budget setting process	Treasurer  Contact Officer: Chris Barton	Completed
18 July 2016	Scrutiny of Strategic Objectives 1, 4 and 5	To scrutinise the issues in relation to each of the strategic objectives and to review what the Service has planned to do to address each issue in the current financial year	All Directors	Completed
12 Sept 2016	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed
12 Sept 2016	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed
12 Sept 2016	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	Completed



Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
12 Sept 2016	Scrutiny of Strategic Objectives 2 and 3	To scrutinise the issues in relation to each of the strategic objectives and to review what the Service has planned to do to address each issue in the current financial year	All Directors	Completed
12 Sept 2016	Revenue Budget Setting Report	To assist in determining the appropriate revenue budget required to meet the Service's requirements for the financial year	Treasurer/DCO  Contact Officer: Chris Barton/ Geraint Thomas	Completed
12 Sept 2016	Capital Budget Setting Report	To assist in delivering the appropriate capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO  Contact Officer: Chris Barton/ Geraint Thomas	Deferred
5 Dec 2016	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	Completed
5 Dec 2016	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed
5 Dec 2016	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
5 Dec 2016	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO Contact Officer: Dai Morris	Completed
5 Dec 2016	Revenue Budget Setting Report	To assist in determining the appropriate revenue budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	Completed
5 Dec 2016	Capital Budget Setting Report	To assist in delivering the appropriate capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	Completed
5 Dec 2016	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Dai Morris	Completed
5 Dec 2016	Scrutiny of Incidents Where No Smoke Alarm was Fitted or Actuated	To provide a scrutiny of incidents where no smoke alarm was fitted or actuated and a comparison with family group 4 data	ACFO SD Contact Officer: Andy Thomas	Completed
5 Dec 2016	Fire Aid Presentation	To share with Members the principles and purpose of Fire Aid and to outline the procedures for when fire appliances are donated to Fire Aid.	ACO PS Contact Officer: Ian Greenman	Completed
3 April 2017	Business Fire Safety Presentation	To provide Members with an overview of the Business Fire Safety work undertaken across the 10 Unitary	ACFO SD Contact Officer:	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		Authority areas	Steve Rossiter	
3 April 2017	Treasury Management Strategy	To seek Member approval of the treasury management policy and strategy for the following financial year	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	On agenda
3 April 2017	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda
3 April 2017	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	On agenda
3 April 2017	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO  Contact Officer: Sally Chapman/ Geraint Thomas	On agenda
3 April 2017	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	DCO  Contact Officer: Sally Chapman/ Geraint Thomas	On agenda

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
3 April 2017	Draft annual report of the work of the FAPM Committee and the discharge of the terms of reference of the Finance, Asset & Performance Management Working Group	To consider the draft report on the annual work of the Committee before its submission to the Fire Authority and to ensure the Authority has efficient use of resources and robust procedures in place to ensure and manage this	Chair of FAPM, Chair of Working Group & DCO  Contact Officer: Sally Chapman	Reported to the Fire & Rescue Authority on 13 February 2017
3 April 2017	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO  Contact Officer: Dai Morris	On agenda
3 April 2017	Scrutiny of Strategic Objectives	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	On agenda
3 April 2017	Corporate Risk Register	To seek Members' views upon the Corporate Risk Register	DCO  Contact Officer: Dai Morris	On agenda

Sally Chapman - DCO  
 Andy Thomas - ACFO Service Delivery  
 Chris Barton - Treasurer

Geraint Thomas - Head of Finance & Procurement  
 Mark Malson - Head of Human Resources  
 Sarah Watkins - Head of Service Performance & Communications

## AGENDA ITEM NO 20

**To consider any items of business that the Chairman deems urgent  
(Part 1 or 2)**



1. Apologies for Absence

2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to both verbally and in writing declare any personal and/or prejudicial interests in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairman's Announcements

4. To Receive the Minutes of: 5

- FAPM Meeting held on 5 December 2016
- Finance Asset & Performance Management Working Group held on 3 October 2016

5. Business Fire Safety Presentation 17

6. Wales Audit Office Annual Audit Letter 2015/2016 27

7. Treasury Management Strategy 2017/18 49

8. Revenue Monitoring Report 2016/2017 79

9. Capital Monitoring Report 2016/2017 87

10. WAO Audit Plan 2017 95





11.	Internal Auditors Annual Report Year ending 31 March 2017	119
12.	Internal Audit Progress Report 2016/2017	125
13.	Internal Audit Annual Plan 2017/2018	195
14.	Report on progress of Audit, Scheme and Circular Action updates as at 3 April 2017	213
15.	Scrutiny of Strategic Objectives	229
16.	Corporate Risk Register 2016/17 – Quarter 3 Review	243
17.	Fuel Management Report	259
18.	NATO Financial Report	267
19.	Forward Work Programme	271
20.	To consider any items of business that the Chairman deems urgent (Part 1 or 2)	277

**At the close of the meeting Members will meet with the Wales Audit Office and Internal Auditors to discuss Service progress**