

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 December 2018 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:
 - FAPM Meeting held on 12 November 2018 3
5. Treasury Management Mid-Term Report 2018/19 7
6. Strategic Risk Register 2018-19 – Quarter 2 Review 23
7. Revenue Budget Report 2019/20 35
8. Report on Progress of Audit, Scheme and Circular Action Updates as at 30 September 2018 43

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12.	To consider any items of business that the Chairman deems urgent (Part 1 or 2)	119

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:

J	Collins	Blaenau Gwent
K	Critchley	Newport
D	White	Bridgend
A	Hussey	Caerphilly
S	Ebrahim	Cardiff
L	Brown	Monmouthshire
A	Roberts	Rhondda Cynon Taff
S	Evans	Torfaen
R	Crowley	Vale of Glamorgan
L	Davies	Merthyr Tydfil

SOUTH WALES FIRE & RESCUE SERVICE

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE MEETING HELD ON MONDAY, 12 NOVEMBER 2018 AT SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

17. PRESENT

Councillor

Left

S Evans (Chair)

A Roberts

L Brown

A Hussey

R Crowley

D White

L Davies

D T Davies

Torfaen

Rhondda Cynon Taf

Monmouthshire

Caerphilly

Vale of Glamorgan

Bridgend

Merthyr Tydfil

Caerphilly

APOLOGIES

K Critchley

J Collins

S Ebrahim

Newport

Blaenau Gwent

Cardiff

OFFICERS PRESENT: Mr C Barton – Treasurer; Mr G Thomas – Head of Finance & Procurement; Mrs S Watkins - Deputy Monitoring Officer; ACFO D Rose – Director of Service Delivery, Mr J Carter – Statistics Unit Manager, Mr C Fitzgerald – TIAA; Ms A Butler – Wales Audit Office

18. DECLARATIONS OF INTEREST

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

19. CHAIR'S ANNOUNCEMENTS

Members were gently reminded to respond to the consultation on the Service's Improvement Plan that they were recently sent and were asked to share a copy within their networks.

20. MINUTES OF PREVIOUS MEETING

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

- Finance, Asset & Performance Management Working Group held on 21 May 2018
- FAPM Meeting held on 10 September 2018.

21. REVENUE MONITORING REPORT 2018/19

The Head of Finance & Procurement presented the Revenue Monitoring 2018/19 report which included details of the annual revenue budget and associated information for the year ending 31 March 2019.

RESOLVED THAT

- 21.1 Members noted the report and agreed its content.
- 21.2 Members approved the virement from the contingency budget.

22. CAPITAL MONITORING REPORT 2018/19

The Head of Finance & Procurement updated Members on the capital budget, transactions to date and the end of year forecast position as at 1 October 2018.

RESOLVED THAT

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

23. REVENUE BUDGET REPORT 2019/20

The Treasurer outlined the background to, and proposals, for the Fire Authority's revenue budget for the financial year 2019/20.

RESOLVED THAT

Members confirmed the information contained within the report as the basis for continuing to develop the Fire Authority's revenue budget for 2019/20.

24. A SOUTH WALES FIRE & RESCUE SERVICE RESPONSE TO THE 'ELECTRICAL FIRES IN WALES' WRITTEN STATEMENT BY WELSH GOVERNMENT

The Statistics Unit Manager advised Members that this report was considered by the FAPM Scrutiny Group who resolved to refer this issue to the committee for their information and consideration.

Welsh Government shared a draft report with the Service on 15 June 2018 that highlighted how accidental dwelling fires where 'electrical distribution' was the source of ignition were a significant concern in Wales. South Wales Fire and Rescue Service was keen however to provide scrutiny and context to the data provided within the report, to paint a more proportional picture of the risk presented by fires of this nature. The Service submitted a report (attached at Appendix 1) to Welsh Government which identified discrepancies within the draft report and provided rationale behind a number of the conclusions made. Welsh Government published the draft report as a written statement on 17 July 2018.

RESOLVED THAT

Members acknowledged the Service's response (attached at Appendix 1) to the 'Electrical Fires in Wales' written statement by Welsh Government, and how the issues raised within the written statement can be rationalised and explained.

25. INTERNAL AUDIT REPORT

The internal Auditor presented the report which updated Members upon the progress being made against the Internal Audit Plan 2018/19.

RESOLVED THAT

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

26. FORWARD WORK PROGRAMME

The Deputy Monitoring Officer presented the Forward Work Programme for 2018/19.

RESOLVED THAT

Members accepted the Forward Work Programme for 2018/19.

27. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIRMAN DEEMS URGENT (PART 1 OR 2)

There were no items of urgent business for Members to consider.

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

AGENDA ITEM NO 5
 3 DECEMBER 2018

TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2018/19

SUMMARY

The Treasury Management Mid-Term Review Report provides an update on the Authority's treasury activities for the period 1 April – 30 September 2018.

RECOMMENDATION

The Finance, Audit & Performance Management Committee are asked to undertake the following;

- Note the report and the treasury activity for the period
- Recommend approval of the report to Fire Authority.

1. BACKGROUND

- 1.1 The Fire & Rescue Authority approved the Treasury Management Strategy Statement (TMSS) for 2018/19 on 26 March 2018. The TMSS sets out the reporting framework for monitoring performance and compliance of treasury management activities. Appendix 1 presents the detailed statutory and regulatory reporting requirements contained within the TMSS and how this relates to this, the mid-term report.
- 1.2 In accordance with the scrutiny protocol, the Finance, Audit & Performance Management Committee (FAPM) will receive this initial report in order to make a recommendation to Fire & Rescue Authority.

2. FINANCIAL IMPLICATIONS

- 2.1 The financial implications of treasury activities have been factored into the Authority's budgeting processes and reporting cycles.

3. LEGAL IMPLICATIONS

- 3.1 The Authority is required to comply with the requirements of the Local Government Act 2003 and to have regard to both the Welsh Government (WG) guidance and the CIPFA Code when determining its treasury management policy, strategies and reporting regime.

4. EQUALITY RISK ASSESSMENT

- 4.1 There are no equality implications resulting directly from this report.

5. RECOMMENDATION

5.1 The Finance, Audit & Performance Management Committee are asked to undertake the following;

- Note the report and the treasury activity for the period
- Recommend approval of the report to Fire Authority.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	TMSS 18/19 TM Outturn Report 17/18 Revenue/Capital Monitoring Reports Link Service information

APPENDIX 1 TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2018/19

Background

Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out our Capital Strategy will be taken to the full Authority before 31st March 2019.

Treasury management

The Authority operates a balanced revenue budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising 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 the Authority can meet its capital spending operations. Management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the Authority's borrowing, 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. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the full Authority of an annual Treasury Management Strategy Statement (TMSS), including the Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance, Audit & Performance Management Committee:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure, as set out in the TMSS, and prudential indicators;
- A review of the Authority's investment portfolio for 2018/19;
- A review of the Authority's borrowing strategy for 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

2. Treasury Management Strategy Statement and Annual Investment Strategy Update

The TMSS for 2018/19 was approved by this Authority on 26 March 2018 and there are no policy changes to the TMSS. The details in this report update the position in light of the updated economic position and budgetary changes already approved.

3. The Authority's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Authority's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure & Changes to the Financing of the Capital Programme

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget and the expected financing arrangements. The borrowing element of the table, i.e. 'total financing', increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt MRP. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2018/19 Original Estimate £000	Current Position £000	2018/19 Revised Estimate £000
Total capital expenditure	7,651	1,421	7,645
Financed by:			
Capital receipts	0	0	0
Capital grants	800	2	493
Reserves	3,753	741	4,038
Third Party Contributions	0	0	224
Revenue	200	0	200
Total financing	4,753	743	4,955
Borrowing requirement	2,898	678	-7,645

4.2 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

The current CFR projection for 2018/19, as presented below, is lower than the original estimate reported in the TMSS by £410k. This change reflects the pace at which investment is being achieved in the capital programme.

Prudential Indicator – the Operational Boundary for external debt & limits to Borrowing

There are no revisions to the borrowing limits set out in the original strategy and these are provided below to illustrate the current borrowing position in relation to the prudential indicator of actual external debt taken set against the CFR. This is a key control over treasury activity and ensures that over the medium term, net borrowing (borrowings less investments) will only be for a capital purposes. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2018/19 Original Estimate £000	2018/19 Revised Estimate £000
Prudential Indicator – Capital Financing Requirement		
CFR at year end	44,335	43,925
Net movement in CFR (from prev year)	-43	-221
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	40,000	40,000
Other long term liabilities*	5,000	5,000
Debt at year-end	45,000	45,000
Authorised limit for external debt		
Borrowing	43,000	43,000
Other long term liabilities*	7,000	7,000
Debt at year-end	50,000	50,000
Actual Borrowing	32,893	30,987
Actual Other long term liabilities*	4,700	4,700
Debt at year-end	37,592	35,687
Under /(Over) Borrowed	6,743	8,238

* On balance sheet PFI schemes and finance leases etc.

The above table details a position of under borrowing i.e. CFR £43.925, debt £35.687k. The Authority has maintained a strategy of internal, as opposed to external borrowing which attracts financing costs, to support capital investment. External borrowing is not anticipated within this financial year.

The Treasurer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

4. Investment Portfolio 2018/19

In accordance with the Code, it is the Authority's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Authority's risk appetite. As shown by rate forecasts in appendix 1, it continues to be a difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The Authority held £17,665,791 of investments in notice and call accounts as at 30 September 2018 (£12,303,490 at 31 March 2018) and the investment portfolio return for the first six months of the year is £20k against a budget of £24k for the year and a current, annual projection is £70k.

A full list of investments held as at 30 September 2018:

Type of Investment/ Deposit	Counterparty	Issue Date	£	Current Interest Rate	Call Notice Period
Call account	BARCLAYS		5,161,205	0.2500	IA
Call account	BARCLAYS		4,000	0.2500	IA
Call account	NATWEST		2,500,586	0.0100	IA
Call account	LLOYDS	20/08/2018	7,000,000	0.8200	32 days
Call account	LLOYDS	20/08/2018	3,000,000	0.9500	95 days
Note: IA = Immediate Access					

The Treasurer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19.

5.1 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

5. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

7. Other

1. UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known

as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Authority will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

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APPENDIX 2: Approved countries for investments

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

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APPENDIX 3: Economics and interest rates

3.1 Economics update

UK. The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019 as a result of Brexit.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market**, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's easing of fiscal policy is fuelling a temporary boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however,

is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, China in particular, could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

EUROZONE. Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

3.2 Interest rate forecasts

The Authority's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PwLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Downside risks to current forecasts for UK gilt yields and PwLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the EU when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PwLB rates

- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

STRATEGIC RISK REGISTER 2018-19 – QUARTER 2 REVIEW

SUMMARY

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

RECOMMENDATIONS

That Members view the strategic risks contained within the Risk Register held on our Business Management Information System (BMIS) and agree their validity.

1. BACKGROUND

- 1.1 The Fire and 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 A Strategic 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).
- 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. Currently only risks that impact upon the achievement of a strategic objective or delivery of core business are recorded as strategic risks on the Risk Register.
- 1.4 The Senior Management Team formally reviews the Risk Register on a regular basis and endorses the inclusion of any new or emerging strategic risks identified.

2. ISSUE

- 2.1 While this report relates to Strategic risks Members are asked to note that work is currently ongoing with Heads of Department to identify Departmental risks which are considered particularly significant risks to their Department. These Departmental risks will in future also be recorded and managed using the BMIS system.

- 2.2 There are currently ten strategic risks on the risk register; of these four are rated significant (high), five are material (medium) and one is manageable (low).
- 2.3 Appendix A shows all information relating to our strategic risks and their associated control tasks for quarter 2 with information extracted directly from the BMIS system.

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 strategic risks contained within the Risk Register held on our Business Management Information System (BMIS) and agree their validity.

Contact Officer: Howard Thomas Engagement, Transformation & Performance Officer	Background Papers: Appendix A – Strategic Risk information extracted directly from BMIS.
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STRATEGIC RISK REGISTER REPORT

Health Check

2018-19 Quarter 2



Gwasanaeth Tân ac Achub
De Cymru

South Wales
Fire and Rescue Service

Produced in

BMIS
Business Management
Information System

Introduction

This report details progress made on the management of risks identified on the Strategic Risk Register as at Quarter 2 (Jul-Sep) 2018.

Once risks are identified, they along with any tasks to mitigate their risk are assigned to an Officer and loaded onto the Business Management Information System (BMIS) for monitoring.

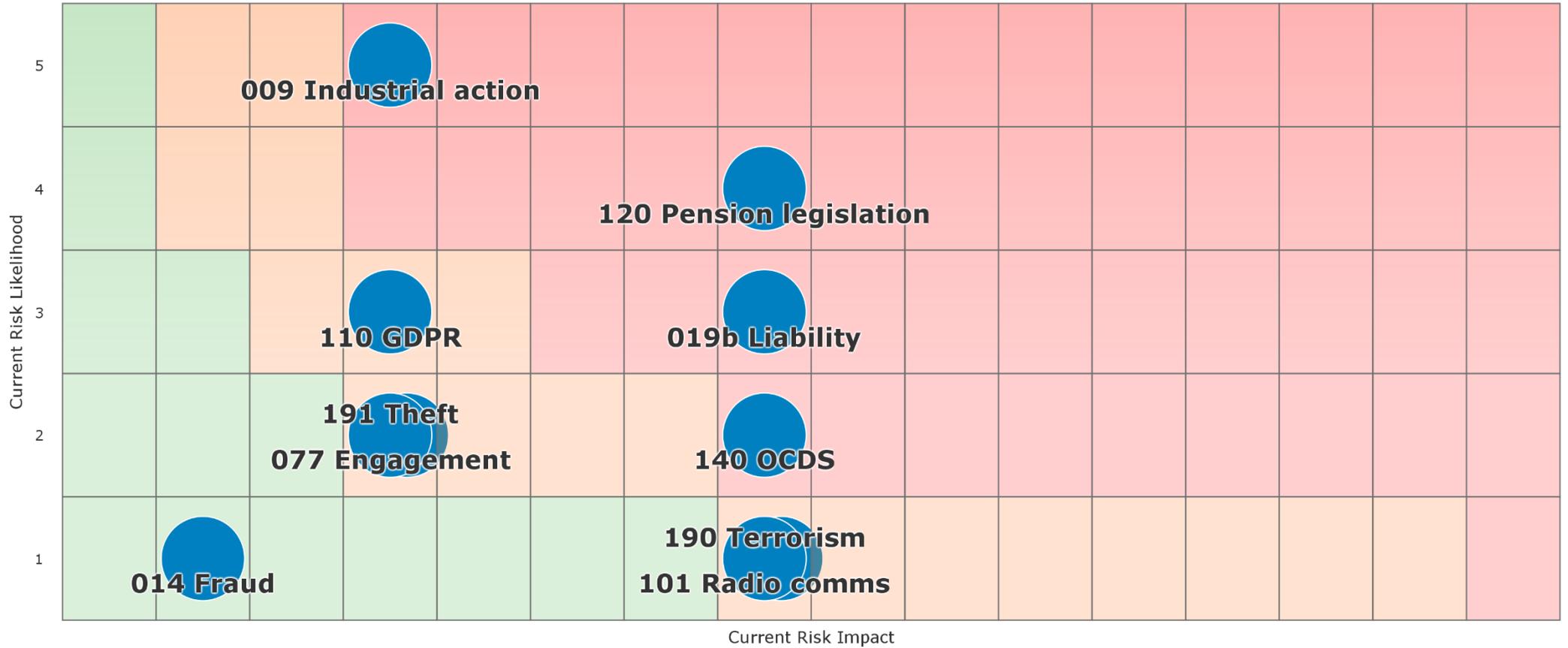
Each quarter officers provide an update with a Red, Amber, Green (RAG) status and commentary.

Risk scores are based on the current likelihood and impact of each risk.

Risk Matrix

The Risk Matrix shows the risk score based on the current risk likelihood and the current risk impact

▲ Red = high risk ● Amber = medium risk ★ Green = low risk



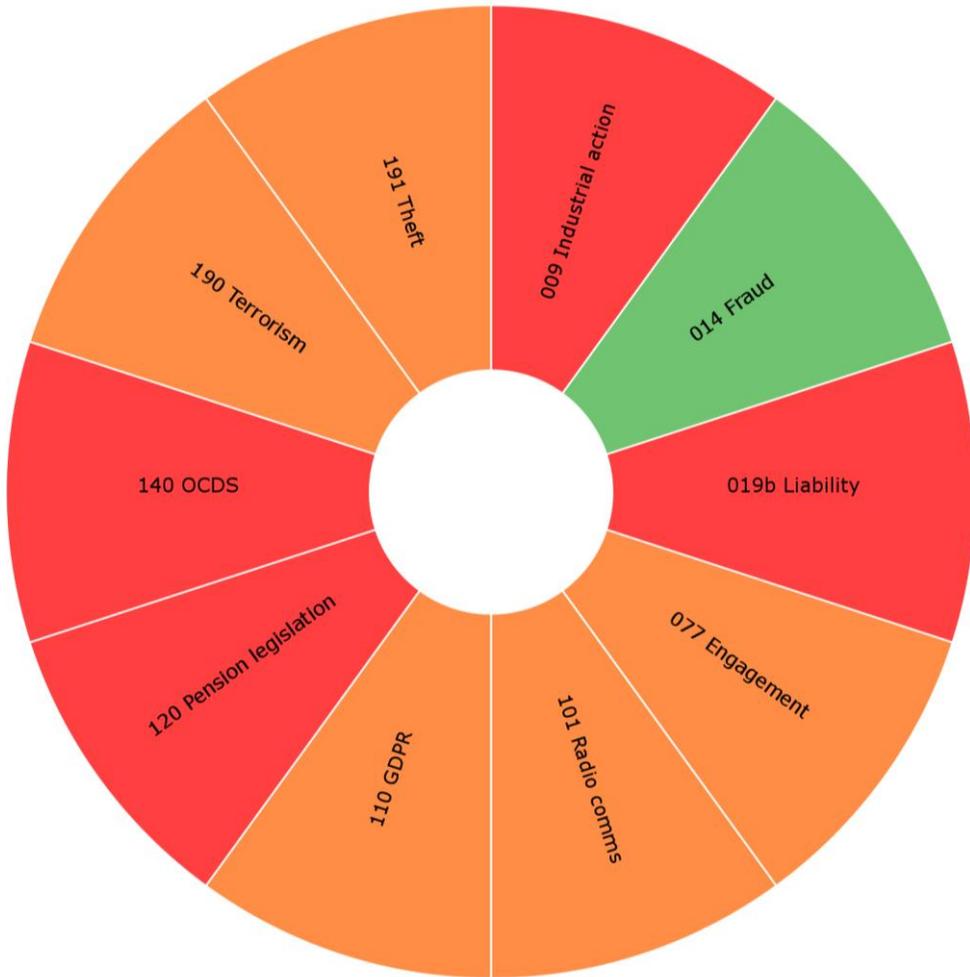
- 009 Industrial action
- 101 Radio comms
- 110 GDPR
- 120 Pension legislation
- 190 Terrorism
- 191 Theft
- 019b Liability
- 014 Fraud
- 140 OCDS
- 077 Engagement

The impact is on a scale of 1-16 however the actual scores used are 1, 2, 4, 8 and 16

Risk Score

The sunburst and table below shows the risk score and RAG status based on the current likelihood and impact of each Strategic Risk.

▲ Red = high risk ● Amber = medium risk ★ Green = low



	Current Risk Score	
	Actual	RAG Status
120 Pension legislation	32	▲
019b Liability	24	▲
009 Industrial action	20	▲
140 OCDS	16	▲
110 GDPR	12	●
077 Engagement	8	●
101 Radio comms	8	●
190 Terrorism	8	●
191 Theft	8	●
014 Fraud	2	★

Associated Tasks

The below “scorecards” show the number of tasks in progress relating to each risk. It shows their RAG status as well as those that the task owner (Unknowns) did not provide update.

009 Industrial Action					014 Fraud					019b Liability				
▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total
0	1	5	0	6	0	2	1	0	3	0	3	13	0	16

077 Engagement					101 Radio Comms					110 GDPR				
▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total
1	8	14	0	23	0	0	1	0	1	0	4	5	0	9

120 Pensions Legislation					140 OCDS					190 Terrorism				
▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total	▲	●	★	Unknowns	Total
0	0	1	0	1	0	1	8	0	9	0	1	1	0	2

191 Theft				
▲	●	★	Unknowns	Total
0	0	1	0	1

Risk Commentary

Low Scoring Risks							
Risk ID	Owner	If...	Then...	Original Risk Score	Current Risk Score	Last update	Risk Update
014 Fraud	Thomas, Geraint	we fail to maintain measures which prevent or detect acts of fraud and corruption	the organisation is open to costly fraudulent actions by employees, members, suppliers and contractors, with consequential financial losses and reputational damage.	6 	2 	30/09/2018	Risk reviewed at end of quarter 2 - risk score remains the same

Medium Scoring Risks							
Risk ID	Owner	If...	Then...	Original Risk Score	Current Risk Score	Last Update	Risk Update
077 Engagement	Thomas, Wayne	We fail to communicate, consult, engage and involve our communities effectively	The reputation, public confidence and efficiency of the service could be compromised.	16 ▲	8 ●	30/09/2018	<p>The organization continues to work towards ensuring that all of its engagement methods are fit for purpose, appropriate, accessible to all and delivered in a wide variety of methods in line with the evolving requirements of the communities it serves.</p> <p>During the second quarter of this year, the organization engaged with the communities in a variety of ways which included a variety of departmental specific stands at a hugely successful UKRO event, further improvements to the functionality of our website, Safe and Well visits, station events and continued to communicate using Social Media. The organization began its 12 week consultation period around its proposed Priority Actions for 2019/20 at UKRO, for which easy-read consultants were consulted and advice was sought from our Equalities Officer, Information Governance and Compliance Officer and our Consultation and Engagement Officers prior to the event, to ensure that the questionnaire was highly accessible and fit for all users. The result of this was that over 400 responses were gathered during the 3 day period.</p> <p>More importantly, we are continuously evaluating our engagement activities through event specific evaluations and through wider and more general discussions during meetings of the organization's Consultation and Engagement Group (CEG).</p>
101 Radio comms	Prendergast, Richie	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	16 ▲	8 ●	30/09/2018	<p>ESN programme is being managed through Welsh Joint Emergency Service Group. A new business case is being developed at a UK level with the likelihood that the programme delivery dates will be pushed back considerably. Due to the farming of the 3G network the service is considering the requirement to update MDT's to 4G to allow more effective transfer of data to operational crews.</p> <p>ESN programme is being managed through Welsh Joint Emergency Service Group. A new business case is being developed at a UK level with the likelihood that the programme delivery dates will be pushed back considerably. Due to the farming of the 3G network the service is considering the requirement to update MDT's to 4G to allow more effective transfer of data to operational crews.</p> <p>ESN programme is being managed through Welsh Joint Emergency Service Group. A new business case is being developed at a UK level with the likelihood that the programme delivery dates will be pushed back considerably.</p>

110 GDPR	Chapman, Sally	Provision is not put in place to address the new EU Data regulations	we will be in breach of the regulations	40 ▲	12 ●	30/09/2018	Since implementation of the new GDPR legislation, the service has undergone a GDPR Implementation Audit. The result of the audit was reasonable assurance, considering the emergent nature of the continuing legislative changes this was a welcome outcome from the audit. The recommendations of the audit are being considered and will in due course be implemented. Work continues to imbed the new processes and procedures.
190 Terrorism	Prendergast, Richie	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 ▲	8 ●	30/09/2018	All Wales training and exercising programme for Ops Plato events now underway. Assurance exercises are being undertaken on a multi agency basis. Fire Control is also being tested for preparedness. The Service have submitted all current BCM plans to WG for assurance.
191 Theft	Rose, Dewi	our assets are not secure	there is a risk of theft with the potential for the equipment to fall in the hands of terrorists	80 ▲	8 ●	30/09/2018	Stations continue to be reminded of National threat levels and the need to maintain security of vehicles, equipment and personnel belongs on all our sites. The operational audit team continues to assess security as part of station audit process with the outcomes being reported at station commander and Group manager levels.

High Scoring Risks

Risk ID	Owner	If...	Then...	Original Risk Score	Current Risk Score	Last Update	Risk Update
009 Industrial action	Jakeway, Huw	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 ▲	30/09/2018	National negotiations continue regarding pay and the role of a Ff. Circular EMP 3/18 issues this years pay award for Grey Book staff.
019b Liability	Jakeway, Huw	we suffered the loss of life/life changing injuries of a member of staff or a member of the public through the commision 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 ▲	30/09/2018	The Service maintains an external focus on national and international events to ensure learning.
120 Pension legislation	Malson, Mark	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 ▲	32 ▲	30/09/2018	There are areas of challenge in the implementation of the Rule B5C. Officers are working with WAO, SAB and WG to address the issues raised in a recent audit report.
140 OCDS	Rose, Dewi	We do not maintain high levels of competent Retained Duty Firefighters in our Service.	We will have lower levels of RDS appliance availability, which will make it difficult to fulfill our statutory obligation.	32 ▲	16 ▲	30/09/2018	The recruitment of OCDS personnel has progressed with success at a number of stations. Courses were undertaken in July and Aug with Sept course being reprogrammed to Oct. FF in charge mobilisations have seen a improvement. Also stations have welcomed improvements to suitability interviews and initial recruitment. The team will be reporting progress to Octobers meeting of ELT. The recruitment of OCDS personnel has progressed with success at a number of stations. Courses were undertaken in July and Aug with Sept course being reprogrammed to Oct. FF in charge mobilisations have seen a improvement. Also stations have welcomed improvements to suitability interviews and initial recruitment. The team will be reporting progress to Octobers meeting of ELT.

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REVENUE BUDGET REPORT 2019/20

SUMMARY

The report outlines the background to and proposals for the Fire Authority's revenue budget for the financial year 2019/20.

RECOMMENDATION

That the Committee confirms the revenue budget 2019/20 attached as Appendix 1 to this report as the basis for consultation with its Constituent Authorities.

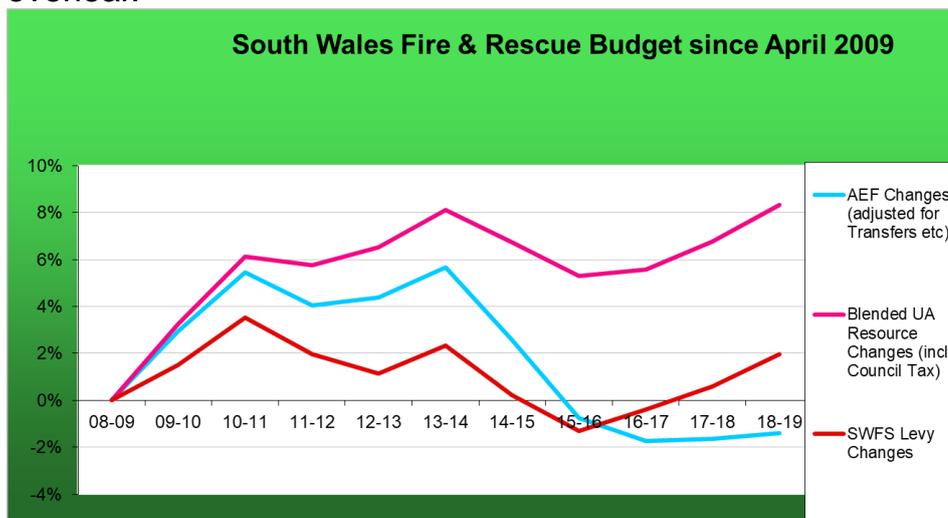
1. BACKGROUND

- 1.1 The Fire Authority approved its Medium Term Financial Plan in September as the basis for agreeing the 2019/20 revenue budget.
- 1.2 Further work has been undertaken to determine the spending needs and resource availability in respect of 2019/20. Information has been forthcoming in respect of Welsh Government and Council budgets together with the draft 2016 valuation of the Fire Pension Scheme undertaken by the Government Actuary Department (GAD).
- 1.3 Work has also continued to determine the availability of efficiency savings to underpin the 2019/20 budget and both the FAPM Scrutiny Group and this committee have considered matters in relation to the proposed budget.
- 1.4 There is a further FAPM Scrutiny Group meeting on 14th January 2019 and a further meeting of this committee on 28th January to consider any responses or further information which may be forthcoming prior to Fire Authority meeting on the 11th February 2019 to confirm the 2019/20 budget.

2. 2018/19 BUDGET PROJECTIONS

- 2.1 Monitoring for the current financial year reveals that the revenue budget is now much more tightly aligned with spending following several years of austerity and budget reductions. The Fire Authority has taken steps to rationalise spending across the breadth of the Service including both staffing and non-staff budgets.
- 2.2 The result of this work has been to deliver a significant real terms reduction in spend over the austerity period with the current year budget still

significantly below the 2010/11 budget in cash terms as shown in the chart overleaf.



- 2.3 The challenge within all public sector financial plans continues to be the ongoing uncertainty around austerity and the extent to which public services can and will be funded.

3. WELSH GOVERNMENT AND COUNCIL BUDGETS

- 3.1 On the 9th October, Welsh Government published the draft Local Government Settlement for 2019/20. The settlement quotes a 0.3% cash reduction in budgets ranging from -1.0% to +0.4% within the South Wales area depending on variations arising from the settlement process.
- 3.2 Councils of course have the ability to raise council tax locally. The long term trend of increases in council tax yield has been around 4.7% in South Wales. This together with the cut in funding from Welsh Government for 2019/20 would equate to an approximate average 1% increase in net resources year on year.
- 3.3 In the budget on 29 October 2018, the Chancellor outlined proposals which would see £550m of resources coming to Wales over the next two years. It was not clear what the phasing of this cash was and of course, it is Welsh Government which would choose how it would allocate these funds. Previous statements by the First Minister indicated that local government would be 'first in the queue' for such funds. The local government settlement will be released in early December.

4. 2016 FIRE PENSION SCHEME VALUATION

- 4.1 The draft results of the 2016 Fire Pension Scheme Valuation were released in September this year. The detail of the valuation methodology,

assumptions and results will be considered in detail through the Local Pension Board and the Scheme Advisory Board for Wales.

- 4.2 The Scheme is an unfunded pension scheme and largely as a result of technical changes in the calculation of the notional funding position, the scheme is now in deficit. The valuation by GAD includes the calculation of future employers' pension contributions over the period 2019 to 2023 to address this situation. The increase is calculated at 9.6% equating to around £2.9m for the Fire Authority, equivalent to 4% of the Fire Authority's total budget.
- 4.3 As reported to the November meeting of FAPM, there has been no confirmation of funding from central government for this cost. However, the Chancellor's budget contained the following commentary in respect of unfunded pension scheme costs.

Public service pensions were reformed in 2015 and, as part of those reforms, an agreement was reached to maintain their value. Valuations of public service pensions are ongoing, and provisional results indicate that changes will need to be made from 2019-20 to make pension benefits more generous for public servants, including teachers, police, armed forces and NHS staff.

The Budget confirms a reduction of the discount rate for calculating employer contributions in unfunded public service pension schemes, to 2.4% plus CPI (in line with established methodology to reflect OBR forecasts for long-term GDP growth). The valuations indicate that there will be additional costs to employers in providing public service pensions over the long-term.

The government is supporting departments to ensure that recognition of these costs does not jeopardise the delivery of frontline public services or put undue pressure on public employers. For the NHS, as outlined in the five-year health settlement in England in June 2018, the Treasury has made provision for NHS pension costs until 2023-24. For state schools, the Department of Education are proposing to provide more funding to cover pension costs for the rest of this Spending Review period. To supplement this, the Budget allocates extra DEL to the reserve for 2019-20 to cover an expected £4.7 billion of additional costs. The Spending Review next year will settle the funding for costs beyond 2019-20 arising from the valuations.

- 4.4 We understand that Welsh Government are lobbying HM Treasury for direct funding to meet the costs of these pension charges in Wales.

5. CONSTITUENT AUTHORITY POPULATION PROJECTIONS 2019/20

- 5.1 As reported to the FAPM in November, population changes will result in a shift in contributions regardless of the budget set by the Fire Authority. By way of reminder, the relevant table is repeated below.

Authority	Population				Contributions		
	2018/19	2019/20	Change	%	2018/19	Projected	Change
Bridgend	142,862	143,272	410	0.29%	6,688,835	6,684,490	-4,345
Vale Of Glamorgan	128,280	128,424	144	0.11%	6,006,101	5,991,742	-14,359
Rhondda Cynon Taf	238,482	238,945	463	0.19%	11,165,782	11,148,204	-17,578
Merthyr Tydfil	59,219	59,254	35	0.06%	2,772,639	2,764,551	-8,088
Caerphilly	181,027	181,297	270	0.15%	8,475,706	8,458,582	-17,124
Blaenau Gwent	69,433	69,374	-59	-0.09%	3,250,883	3,236,709	-14,174
Torfaen	91,991	92,087	96	0.10%	4,307,043	4,296,406	-10,637
Monmouthshire	92,931	93,070	139	0.15%	4,351,053	4,342,268	-8,785
Newport	148,729	149,243	514	0.35%	6,963,525	6,963,072	-453
Cardiff	366,959	370,299	3,340	0.91%	17,181,105	17,276,648	95,543
Total	1,519,913	1,525,265	5,352	0.35%	71,162,672	71,162,672	0

- 5.2 The Fire Authority has no discretion in how it distributes the overall revenue budget contributions as the methodology is specified in the South Wales Fire Services (Combination Scheme) Order 1995.

6. BUDGET 2019/20

- 6.1 The Fire Authority has already considered the impact of inflation on its base budget and information on this was provided to the FAPM meeting in September together with assessments of any key budget pressures arising within the 2017/18 outturn report or the 2018/19 budget monitoring reports.
- 6.2 The key budget pressure is on pay where 2% pay awards are anticipated for the coming year. This equates to around £1.05m (1.5% growth in total budget).
- 6.3 The Fire Authority was faced with substantial increases in business rate liabilities on some of its premises following the last revaluation and despite appropriate reviews and appeals, £0.2m of this increase is still in place. This increase is being absorbed in the current year but will represent a continued pressure in the 2019/20 budget.
- 6.4 In September 2018, the Fire Authority received a paper which sought to stabilise the staffing structure of the Service which over a number of years had come to rely on a significant number of temporary staff appointments. This report confirmed the structure of the Fire Authority without adding to the existing employee budget. Further work was recognised in this area

to identify any opportunities for further efficiency savings and to settle the future pay and grading system within the non-uniformed staff cohort.

- 6.5 In November the Committee received a paper outlining a further £580,000 worth of efficiency savings which could be delivered in 2019/20.
- 6.6 As part of this ongoing work, a number of one off pressures have been identified in the 2019/20 budget. These include
- LGPS Strain costs - £10k
 - Insurances - £40k
 - Property - £25k
- 6.7 The one significant matter which could yet bear on the budget requirement for next financial year is the recently lodged grey book pay award of 17%. This pay claim will be dealt with through the nationally agreed negotiating mechanism in which South Wales Fire Authority plays no direct part. The request is linked to the broadening role of the firefighter in the UK and is likely therefore to be the subject of some detailed discussion. If central government agrees as part of these negotiations to any pay increase in excess of basic inflation, such costs would have to be funded on a national basis to avoid them becoming another call on constituent authority budgets. A 2% provision is currently assumed for pay.
- 6.8 Inclusion of the identified savings and pressures to date would result in a revenue budget of £71,827,144 representing a 0.93% increase over 2018/19.
- 6.9 This of course assumes that the fire pension costs identified in this report are funded by Welsh Government directly. If this resource is fed through local government in Wales or not funded at all, then the revenue budget of the fire service would need to be set at £74,727,144 representing a 5% increase over 2018/19.
- 6.10 This latter scenario will be outlined in the consultation with constituent authorities.

7. FINANCIAL IMPLICATIONS

- 7.1 Details of the financial implications are included within the body of this report.

8. EQUALITY RISK ASSESSMENT

- 8.1 There are no equality implications resulting directly from this report. Each significant project within the Fire Authority's financial planning framework

undergoes equality and diversity risk assessment by the responsible budget holder as part of the budget planning process.

9. RECOMMENDATION

- 9.1 That the Committee confirms the revenue budget 2019/20 attached as Appendix 1 to this report as the basis for consultation with its Constituent Authorities.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance and Procurement	

Revenue Budget 2019/20

Appendix 1

Expenditure/Income Head	18-19	19-20
	£	£
Direct Employee Costs	47,642,161	48,459,033
Indirect Employee Costs	8,126,585	8,261,573
Premises Related Expenses		
Repair & maintenance	810,760	835,083
Lease costs - Occ Health unit	75,000	5,000
Grounds, Cleaning & Security	596,500	546,500
Rates etc.	1,148,000	1,370,960
Water	42,000	42,000
Energy	583,730	508,730
Telephones/Communications	1,413,000	1,413,000
Sub Total Premises Related	4,668,990	4,721,273
Training Expenses	1,525,925	1,465,925
Supplies & Services		
Furniture	77,640	77,640
Operational equipment	281,700	241,700
Other equipment	81,520	81,520
RTC (scrap vehicles)	55,000	55,000
Fitness/training equipment	70,000	50,000
Equipment repair & maintenance	142,640	142,640
Fire Ground consumables (foam)	20,000	20,000
I.C.T.	717,100	657,100
Clothing & Uniforms	566,200	566,200
Printing, Stationery & Postage	137,618	127,618
Advertising (vacancies, etc.)	203,700	203,700
Licences, Literature etc	262,525	242,525
Provisions, catering, medical etc	67,280	67,280
Insurances	996,278	1,036,129
Sub Total Supplies and Services	3,679,201	3,569,052
Transport Costs	1,252,942	1,162,942
Contracted Services	744,139	734,139
Other Central Costs		
Capital Costs and Leasing	4,498,825	4,548,825
Transfer from / to Reserves	-	(100,000)
Sub Total Other Central Costs	4,498,825	4,448,825
Sub Total Expenditure	72,138,768	72,822,762
Income	(976,096)	(995,618)
TOTAL BUDGET	71,162,672	71,827,144

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**REPORT ON PROGRESS OF AUDIT, SCHEME AND CIRCULAR ACTION
UPDATES AS AT 30 SEPTEMBER 2018**

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, the scorecard shows the performance of each action through a RAG status.

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 the BMIS system. Each quarter Officers are requested to provide progress updates on these actions with a RAG status and commentary.

2. ISSUE

- 2.1 There are currently:
- 22 actions arising from internal audits recorded as progressing on the database, with 5 of these shown as overdue against the target date
 - 74 have been completed
 - 1 action arising from a Corporate Scheme audit is recorded as progressing on the database
 - 1 action arising from an Operational Peer Assurance audit is recorded as progressing on the database.

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.

Contact Officer:	Background Papers:
Paul Conway Engagement, Transformation and Performance Officer	Appendix 1 - Report showing progress recorded against actions arising from Internal Audits, Wales Audit Office Thematic Reviews, Operational Assurance Peer Reviews, Corporate Schemes and Government Circulars.



AUDIT ACTIONS REPORT

Health Check

2018-19 Quarter 2



Gwasanaeth Tân ac Achub
De Cymru

South Wales
Fire and Rescue Service

Produced in

BMIS

Business Management
Information System

Contents

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Internal Audit Ongoing Actions Commentary	Pages 7-10
Internal Audit Overdue Actions Commentary	Pages 11-12
Other Audit Actions Summary and Commentary	Page 13

Introduction

This report details the progress made on Audit Actions arising from:

1. Internal Audits
2. Wales Audit Office Thematic Reviews
3. Operational Peer Reviews
4. Corporate Schemes and Government Circulars

Loaded on BMIS as of Quarter 2 (Jul-Sept) 2018-19

Once audits/reviews are completed then actions arising from them are assigned to an Officer and loaded onto the Business Management Information System (BMIS) for monitoring.

Each quarter officers provide an update with a Red, Amber, Green (RAG) status and commentary.

The report below details the actions that have been agreed and loaded onto BMIS. Actions identified from the 2018-19 audit strategies will be included once agreed with each audit owner.

Internal Audit Strategy 2018-19

The below table summarises the progress of all planned internal audits for 2018-19:

Audit Name	Progress	Report Summary
Assurance Review of Training Records	Final Report Received	Reasonable Assurance
Appraisal Review of Fleet Management – Usage	Management Comments	Limited Assurance
Assurance Review of HR Management – Rosters	Draft Report Received	Reasonable Assurance
Compliance Review of Data Analytics – Deep Dive Duplicate Payments Compliance	Final Report Received	Substantial Assurance
Regularity Review – Station Visits	Petty Cash	Substantial Assurance
	Other Income	Substantial Assurance
	Purchasing	Substantial Assurance
	Fuel and Fuel Cards	Substantial Assurance
	Health and Safety	Reasonable Assurance
	Overtime, Roster, Sickness and Training	Substantial Assurance
	Redkite – Equipment Management System	Reasonable Assurance
	Home Fire Safety Checks	Substantial Assurance
Assurance Review of Estate Management - Delivery	Final Report Received	Reasonable Assurance
Assurance Review of Governance – Partnerships	Final Report Received	Substantial Assurance
Compliance Review of Risk Management – Mitigating Controls - Board Assurance	Final Report Received	Substantial Assurance
ICT Review of General Data Protection Regulations (GDPR) Compliance	Management Comments	Reasonable Assurance
Key Financial Controls	January 2019	

Correct as of October 31st 2018

Internal Audit Summary

The chart below is a “sunburst” and highlights the progress of each internal audit by displaying the RAG status of the worst performing action.



The table below summaries the same information with an explanation of the progress of actions arising from internal audits

-  All Actions are expected to be completed on time
-  1 or more action(s) has an issue that needs attention
-  1 or more action(s) are not expected to be completed on time

<u>Audit Name</u>	<u>Progress</u>
11.10/11 IT Disaster Recovery Planning - Follow Up	★
Appraisal Review of Risk Management - Anti-Fraud Arrangements	●
Appraisal Review of the Anti-Fraud Cyber Crime Preparedness Arrangements	●
Appraisal Review of the Estate Management Strategy Arrangements	●
Appraisal Review of the Governance - Partnerships Arrangements	●
Appraisal Review of the Risk Mitigation Arrangements	★
Assurance Review of ICT - Cyber Security	●
Assurance Review of ICT Security Management Controls	★
Assurance review of the Governance - Internal Communication Arrangements	★
Assurance Review of the Payroll & HR Controls Arrangements	●
Follow Up Review	★
Internal Audit Follow Up Review	●
Operational Review of the Authority Assurance Framework	●
Regularity Review - Station Visits	●

Internal Audit Action Progress

The below “scorecards” show the number of actions Ongoing or Overdue. It shows actions by their RAG status as well as those that the action owner (Unknowns) did not provide update.

Audit Actions Ongoing				
Internal Audit				
▲	●	★	Unknowns	Total
0	7	10	0	17

Audit Actions Overdue				
Internal Audit				
▲	●	★	Unknowns	Total
0	4	1	0	5

There are 74 actions marked as Completed

Internal Audit Actions – Commentary (In Progress)

Name	30/09/18					
	Action Description in Full	Owner -	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Agreeing common measures with other Welsh FRAs	Agreeing common measures with other Welsh Fire and Rescue Authorities to assess key indicators around land and buildings to enable comparison of performance and the identification of developing trends.	Corrigan, Nick	Corporate Services	★	31/03/2019	Not yet commenced
<input checked="" type="checkbox"/> Appraisal Review of the Governance - Partnerships Arrangements 2	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.	Davies, Garry	Risk Reduction	●	30/03/2019	Review of the partnership delivery is ongoing and will be completed by the end of 2018. Partners who are continuing to deliver on our behalf will be informed of the Audit process which will start in April 2019.
<input checked="" type="checkbox"/> Assurance Review of ICT - Cyber Security 2	intrusion prevention and intrusion detection solutions be implemented at the earliest opportunity.	Jones, Aaron	ICT	★	31/03/2019	No suitable Application Layer firewall is available that will meet all needs of Infrastructure for NetScaler / VPN replacement and IPS / IDS. Comms Teams will continue to assess the suitability of FIREPOWER addition to existing Cisco 5515X ASA Firewalls. Alternatively, the requirements for the replacement for the outer firewalls could be changed to include IPS.
<input checked="" type="checkbox"/> Follow Up Review - Anti-Fraud Cyber Crime	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.	Lloyd, Chris	ICT	★	31/12/2018	costs provided to Jackie Evans, these have been forwarded to SIRO - no actions have been requested from ICT since this

52 Name	30/09/18					
	Action Description in Full	Owner	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Assurance Review of ICT - Cyber Security 3	<p>A comprehensive log management strategy be implemented that includes the use of a central log server and the use of log management tools.</p>	Smith, Darren	ICT	●	31/03/2019	This is currently being reviewed.
<input checked="" type="checkbox"/> Assurance Review of ICT Security Management Controls 3	<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> <p>Original Due date 8/31/2018</p>	Smith, Darren	ICT	★	31/12/2018	ICT Asset Database has been updated and is in the process of being validated through a full asset management check.
<input checked="" type="checkbox"/> Follow Up Review - A Forensic Readiness Procedure	<p>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.</p> <p>Original Due Date 7/31/2018</p>	Smith, Darren	ICT	●	31/03/2019	UPDATE: Meeting with Info Governance and Compliance Officer has been delayed.
<input checked="" type="checkbox"/> Regularity Review - Station Visits - Routine fire alarm tests	<p>Routine fire alarm tests and firefighting equipment inspections be carried out on a weekly basis and emergency lighting tests on a monthly basis be undertaken at all stations in accordance with the procedures set out in the Raising Awareness Reducing Risk Log book.</p>	Smith, Keith	ORM	●	01/01/2019	As previous quarter these tests are monitored and any issues identified in the audit process, an advisory note will be issued in regards to Raising Awareness Reducing Risk log Book to stations.
<input checked="" type="checkbox"/> Appraisal Review of the Estate Management Strategy Arrangements 1	<p>A detailed report and annual action plan be developed in support of the property asset management strategy as planned.</p>	Corrigan, Nick	Corporate Services	●	10/10/2018	Need to review with PSG what is required, and what is reasonably achievable with existing resources.

Name	Action Description in Full	Owner -	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Appraisal Review of the Risk Mitigation Arrangements 3	<p>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.</p>	Thomas, Wayne	Corporate Services	★	31/03/2019	<p>The annual review of the organization's risk register has been planned during this quarter and will be taking place on 15th November 2018, with the main emphasis being on strategic risks and the associated control tasks, while also looking at Departmental Risks and tasks. The officers facilitating this day will highlight the importance of completing all of the fields available for risk tasks within BMIS in the correct way, and will also be quality assuring the data input within BMIS periodically to ensure consistency and robustness.</p> <p>The organization did undergo an audit by TIAA titled "Compliance Review of Risk Management – Mitigating Controls-Board Assurance" during Q2, for which we were awarded Substantial Assurance (which is the highest level of assurance available).</p>
<input checked="" type="checkbox"/> Assurance Review of the Governance - Internal Communication Arrangements 3	<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>	Thomas, Wayne	Corporate Services	★	31/03/2019	<p>The interim structure of the department remains in place, as we are still awaiting a decision on the future structure of the department (the Fire Authority approved the potential budgetary increase that the proposed revised personnel structure for the Service would represent, on 24th September 2018. We are therefore awaiting final confirmation of the structure). Elements of the proposed structure have been implemented on a temporary basis to test viability.</p> <p>It is worth noting that, in addition to the three existing fluent Welsh-speaking posts that are occupied in the department as a result of the temporary structure, the organization's Welsh language translators have been incorporated in to the team on a permanent basis. This has further enhanced the department's capacity to comply with the Welsh Language Standards. There is also work ongoing regarding the organization's website URLs, to ensure that every URL present in the address bar of the Welsh side of the site is fully bilingual. While this is not a direct requirement under the Welsh Language standards, it is indicative of our commitment to spirit of the standards.</p> <p>The team also played a pivotal role in devising the materials used to consult on the organization's priority actions for 2019/20 at UKRO. The team ensured that the priority actions were translated in to "easy-read" language, the questionnaire was incorporated in to software which made it easy to complete, the questionnaire was bilingual and the questions were devised in conjunction with the Equality Officer and the Information Governance and Compliance Officer (to ensure consideration was given to GDPR and the Equality Act 2010).</p>

54 Name	30/09/18					
	Action Description in Full	Owner*	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Operational Review of the Authority Assurance Framework 3	<p>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.</p>	Thomas, Wayne	Corporate Services	●	30/03/2019	While the team has contacted stakeholders in order to identify any ongoing projects that could be used to assist with the development of the project management element of the new Business Management Information System, the development of the module itself will be explored during Q3 of 2018/19, with a view to build the functionality in to the system and to implement use of the functionality throughout the organization during the year. This is currently scheduled for release in Q4 2018/19. Therefore the target date revised as such to reflect.
<input checked="" type="checkbox"/> Appraisal Review of Risk Management - Anti-Fraud Arrangements 7	<p>All gifts and hospitality be recorded in the Gifts and Hospitality Register whether accepted or declined in accordance with the General Standing orders and this be noted in the next review of the OP-05.006 Hospitality and Gifts Policy.</p>	Watkins, Sarah	Corporate Services	★	28/02/2019	Gifts and Hospitality procedure still under review. Routine notice has been used to remind staff of their responsibilities to declare and record hospitality offers.
<input checked="" type="checkbox"/> Appraisal Review of Risk Management - Anti-Fraud Arrangements 8	<p>The Gifts and Hospitality Register be presented regularly to the Finance, Audit and performance Committee meeting for inspection in accordance with good governance and this be recorded in the minutes.</p>	Watkins, Sarah	Corporate Services	★	28/02/2019	Review of Hospitality register has been incorporated into the forward work programme for the FAPM. report schedules for the Aril 2019 FAPM.
<input checked="" type="checkbox"/> 11.10/11 IT Disaster Recovery Planning - Follow Up 1.2	<p>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.</p>	Williams, Chris	ICT	★	31/03/2019	An updated ICT BCP has been created in the new service format and added to the service's BCP.
<input checked="" type="checkbox"/> Assurance Review of the Payroll & HR Controls Arrangements 1	<p>All procedures relating to HR and Payroll processes be reviewed and amended as planned.</p>	Jeal, Kimbely	Human Resources	●	31/10/2018	Process reviews underway, work continues. The majority of processes have now been reviewed by the Employee Relations Manager
<input checked="" type="checkbox"/> Follow Up Review - Mobile devices, USB ports	<p>Mobile devices, USB ports and CD/DVD drives be effectively managed to prevent the introduction of malware and the loss of data.</p>	Lloyd, Chris	ICT	★	31/10/2018	AV will now scan on insertion of USB. Need to test with limited amount of users then present to SRG. In addition AppSense Application Manager needs to be installed on Windows 10 devices to prevent application access

Internal Audit Actions – Commentary (Overdue)

Name	30/09/18					
	Action Description in Full	Owner*	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Appraisal Review of the Anti-Fraud Cyber Crime Preparedness Arrangements 3	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.	Evans, Jackie	Corporate Services	●	30/09/2018	A recommendation has been made to the SIRO that the software identified by ICT should be purchased, as it will enable the full implementation of protective marking across the service. The Information Governance Officer has been tasked with discussing with Geraint Thomas possible funding options, however, due to workloads this has not yet taken place.
<input checked="" type="checkbox"/> Assurance Review of ICT - Cyber Security 1	The relevant areas of the Information Security Management System be updated to ensure compliance with the requirements of EU GDPR and the equivalent UK legislation by the 25 May 2018 compliance deadline.	Evans, Jackie	Corporate Services	●	25/05/2018	<p>This links to P110.09. 15/10/18 - In progress. Relevant procedures within the ISMS have been identified and have been amended, they are at various stages of consultation/publication.</p> <p>ISMS12- Security Breaches - consult complete, final amendments being undertaken ISMS16 - CCTV - sent for publication ISMS 17 - Data Protection - complete and published ISMS 25 - Information Sharing - in progress pending information from WASPI team</p>
<input checked="" type="checkbox"/> Follow Up Review - Station Audit reports	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.	Jones, Bleddyn	Operations	★	07/02/2018	<p>Bleddyn Jones</p> <p>New collaborative feedback process will create lively discussion on performance and future outcomes between UA SM's and GM's</p>
<input checked="" type="checkbox"/> Appraisal Review of Risk Management - Anti-Fraud Arrangements 5	The revised Public Interest Disclosure Procedure (Whistleblowing) be made available for the general public on the organisation's website to access and obtain the process to report any concerns.	Thomas, Geraint	Finance & Procurement	●	30/06/2018	<p>The policy document has been published internally and is awaiting Welsh translation prior to external publication on our website.</p> <p>The document has been submitted and final amendments are being made to the Welsh version.</p>

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Name	30/09/18					Comments
	Action Description in Full	Owner	Department	Performance	Target Date	
Appraisal Review of Risk <input checked="" type="checkbox"/> Management - Anti-Fraud Arrangements 3	The formal designation of a Money Laundering Reporting Officer for the Service be included in the next review of the Financial Procedures.	Thomas, Geraint	Finance & Procurement	●	31/08/2018	The Anti Fraud Policy has been updated and identifies the Treasurer as the Money Laundering Reporting Officer. The review of financial regulations has been delayed and postponed due to the year end external audit process.

Other Audits Summary

Corporate Scheme Audit

Progress

Audit - Strategic Equality Plan - good practice



Name	30/09/18					
	Action Description in Full	Owner	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Audit - Strategic Equality Plan - good practice	Promote in-house equality and diversity good practice.	Wood, Carey	Human Resources	★	30/03/2020	11/10/18 Instigated meeting with IIP lead to ensure a joined up approach to actions, using the IFS Plan as a cornerstone. Carried out over 35 pieces of work from advising on translation to contributing to major projects to ERA input. Commenced a joint initiative with media for November and promoting of the campaigns we support. Ensured Service attendance at Pride and participation in parade. Was involved in several in-house consultations. Carried out some of the role assigned IFS Plan actions for year one. Authored the Service's Annual Equality report for 2017/18 and the annual Strategic Equality Plan Review. Presented to middle managers event on the IFS Plan: what it is and why we have it, preparing for the launch in November of the in-house Equality Allies Network.

Operational Assurance Audit Name

Progress

Ops Assurance - Legislative Fire Safety



Name	30/09/18					
	Action Description in Full	Owner	Department	Performance	Target Date	Comments
<input checked="" type="checkbox"/> Ops Assurance - Legislative Fire Safety	Review the allocation of Legislative Fire Safety resources following the introduction of the new MIS in line with the revised picture of risk.	Davies, Garry	Risk Reduction	●	30/03/2019	In progress - meeting planned for 19th October.

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AUDIT OF FINANCIAL STATEMENTS REPORT - RECOMMENDATIONS

SUMMARY

The statutory ISA260 report the final statement of accounts and the letter of representation required by the auditor were approved by the Fire and Rescue Authority on 24 September 2018. The Appointed Auditor gave his opinion on the financial statements for the year ended 31 March 2018 on 30 September 2018. At the request of this committee this report provides an addendum to those above, outlining the progress and actions made in relation to the recommendations for both 2016/17 and 2017/18 financial years.

RECOMMENDATIONS

That Members receive the addendum report, approve management responses and note the progress made against the recommendations.

1. BACKGROUND

- 1.1 The Treasurer to the South Wales Fire & Rescue Authority is responsible for the preparation of financial statements that give a true and fair view of its financial position as at 31 March each year and its income and expenditure in the year then ended.

2. ISSUE

- 2.1 The Wales Audit Office as appointed auditors have already presented the ISA260 report and as an addendum to this, appendix 1 presents the recommendations that form part of the work performed in accordance with their statutory functions.
- 2.2 Appendix 1 highlights that improvements have been made since the previous financial year and details 6 Matters arising and 7 recommendations, less than half of 2016/17 at 15 and 24 in 2015/16.
- 2.3 This report presents management responses to the 7 recommendations presented in appendix 1 as follows;

Matter arising 1 – there is a need to plan for the revised accounts preparation, audit and publication timetable that is to be introduced in 2018-19

This is a repeat of recommendation 15 reported in 2016/17 and is a standard matter that applies to all Local Government organisations that fall under the new accounts and audit regulations in Wales. Our response to the issue is largely the same although we are no longer seeking to utilise CIPFA's faster closure software. Project work has commenced in preparation for 2018/19 closure.

Matter arising 2 – agreements between the Authority and other bodies are not always finalised or clear

Agreed. Evidencing rigour in our governance arrangements for both the Joint Public Service Centre and the Barry co-location has been a challenge. Closer links with the Property department will help mitigate this in future in addition to acknowledging the challenges and lessons learned in regards to strategic collaboration. These issues will be reported via the Property Steering Group and approved by the Senior Management Team (SMT)

Matter arising 3 – some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance

Agreed. The code of practice and disclosure checklist are already utilised as part of the year end process. The finance team are invested in strengthening the quality assurance process and have added and enhanced internal process notes used to prepare disclosures and the statement overall. Unfortunately, this does not totally eradicate the possibility of any further errors and omissions. The finance team works to ensure a quality document within available time frames.

A Valuation of Barry station is being progressed at the time of reporting.

Matter arising 4 – there is scope to improve the audit trail and supporting documentation in some areas

Agreed to an extent. The Authority utilises an electronic goods receipting system so allow three way checks to be undertaken before payment of invoices through the suppliers ledger. The Pay to Procure (P2P) team advise those responsible for ordering goods to enter the date from the goods receipt note (GRN) and retain the paperwork. Evidence of this process was provided during the audit for most samples requested. This however proves difficult when dealing with the delivery of services or other intangibles (as opposed to goods) as GRN's are not typically provided in such instances and so this is not a process we can adhere to on a wholesale basis.

In regards to approval of earmarked reserves, this is reported and approved via the revenue and capital outturn process for each financial year. For 2017/18 this occurred on 10 Sept FAPM. Moving forward, we

intend to include the monitoring of reserves within our revenue monitoring report.

Improvement work is ongoing in regards to the remaining item identified.

Matter arising 5 – aspects of related party disclosures require improvement

Agreed.

- 2.4 The above recommendations will be addressed during the 2018/19 close down process.

Matter arising 6 – there remains scope to improve IT infrastructure and network controls

Agreed. Work continues to replace the remaining Windows Server 2003 and Windows XP computers used within the service. An update was presented to the Security Risk Group on 18th September 2018.

New change control procedures are being embedded as part of the ICT Service Desk implementation.

A major rewrite of the ICT Disaster Recovery Plan was completed in September 2018 which will be further amended following the implementation of a new Backup / Restore system which is currently being tendered. Whilst we have a Disaster Recovery test for a single ICT system planned for December we will wait until the above work has been completed before undertaking a service wide test during 2019.

A capital bid has been put forward for 2019/20 for the replacement of the outer firewalls and an Intrusion Detection System / Intrusion Protection System.

A brief review of the security permissions held by ICT staff has been completed with changes being made but a more detailed review will be completed during 2019.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising directly from this report.

4. RECOMMENDATIONS

- 4.1 That Members receive the addendum report, approve management responses and note the progress made against the recommendations

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Statement of Accounts 2017-18 ISA 260 report 2017/18 ISA 260 report 2016/17



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report addendum – Recommendations - **South Wales Fire and Rescue Authority**

Audit year: 2017-18

Date issued: November 2018

Document reference: 859A2018-19



Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor

General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

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

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Summary Report

- 1 This report is an addendum to my Audit of the Financial Statements Report that was presented to members of the South Wales Fire and Rescue Authority (the Authority) on 24 September 2018.

Introduction

- 2 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.
- 3 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.
- 4 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 the International Financial Reporting Standards. On 25 September 2018, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Authority's and the Fire Fighters' Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts.

Recommendations arising from our 2016-17 financial audit work

- 5 We raised a number of important issues in our Audit of Financial Statements Report for 2016-17, with 15 recommendations for improvement, all of which were accepted by officers. The Authority has made good progress in implementing the recommendations, but further work is required in some areas.
- 6 **Appendix 1** sets out all the recommendations arising from our 2016-17 audit work with a summary of the actions subsequently taken by management.

Recommendations arising from our 2017-18 financial audit work

- 7 In my Audit of Financial Statements Report I set out that I would present a separate report with details of the recommendations arising from our financial audit work. Seven recommendations are set out below with management's response to them:

Exhibit 1: Matter arising 1

Matter arising 1 – there is a need to plan for the revised accounts preparation, audit and publication timetable that is to be introduced in 2018-19	
Findings	<p>The Authority faces revised deadlines for the preparation and publication of the financial statements for 2018-19 onwards. The accounts must be prepared by 31 May (one month earlier) and published by 31 July (two months earlier).</p> <p>We will work with the Authority to develop a detailed 'audit deliverables document' and timetable to enable next year's challenging deadlines to be met. This will need to cover key areas such as the timing of the relevant committees to consider and approve the 2018-19 financial statements. It is essential that all audit queries are raised, prioritised and dealt with quickly. The format and content of the accounts should also be considered with a focus on streamlining the information where possible. We have met with officers in November 2018 to discuss this issue.</p>
Recommendation	R1 The Authority should put robust arrangements in place for high quality signed accounts and an accompanying audit trail to be available by 31 May 2019.
Accepted in full by management	Agreed
Management response	This is a repeat of recommendation 15 reported in 2016/17 and is a standard matter that applies to all Local Government organisations that fall under the new accounts and audit regulations in Wales. Our response to the issue is largely the same although we are no longer seeking to utilise CIPFA's faster closure software. Project work has commenced in preparation for 2018/19 closure.
Implementation date	2018/19 Closure

Exhibit 2: Matter arising 2

Matter arising 2 – agreements between the Authority and other bodies are not always finalised or clear	
Findings	We found two areas of non-material uncertainty in relation to agreements between the Authority and other bodies. The agreements did not clearly specify the nature of the transactions, and not all documentation had been finalised.
Recommendation	R2 The Authority should ensure that all agreements with other bodies clearly show the nature of the transactions and are fully finalised. This will enable the Authority to fully support its accounting treatment of the related transactions and balances.
Accepted in full by management	Agreed
Management response	Evidencing rigour in our governance arrangements for both the Joint Public Service Centre and the Barry co-location has been a challenge. Closer links with the Property department will help mitigate this in future in addition to acknowledging the challenges and lessons learned in regard to strategic collaboration. These issues will be reported via the Property Steering Group and approved by the Senior Management Team (SMT).
Implementation date	Immediately

Exhibit 3: Matter arising 3

Matter arising 3 – some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance	
Findings	<p>Some of the Authority’s accounting practices and disclosures did not comply with the Code of Practice (the Code) and other relevant guidance, for example:</p> <ul style="list-style-type: none"> • the classification of capital contributions; • consideration of whether assets had been disposed of as part of an ongoing major refurbishment of Barry Fire station; • the overly complex treatment of the Fire Fighters’ Pension Fund top-up grant in the Fire Authority accounts; • the median pay ratio calculation; • the capital commitments disclosure; • the accounting treatment of prepayments; • the analysis of prepayments between current and non-current; • incorrect entries relating to assets under construction in the property, plant and equipment note, and earmarked reserves; <p>We have provided further detail on the above areas to relevant officers.</p>

Matter arising 3 – some accounting practices and disclosures did not comply with the Code of Practice and other relevant guidance	
Recommendation	<p>R3 The Authority should ensure that all transactions and balances are accounted for correctly, and that all disclosure requirements are complied with. Completion of the disclosure checklist would ensure disclosures comply with the Code.</p> <p>R4 The Authority should assess whether an updated valuation of Barry Fire station is required on completion of the refurbishment.</p>
Accepted in full by management	Agreed
Management response	<p>The code of practice and disclosure checklist are already utilised as part of the year-end process. The finance team are invested in strengthening the quality assurance process and have added and enhanced internal process notes used to prepare disclosures and the statement overall. Unfortunately, this does not totally eradicate the possibility of any further errors and omissions. The finance team works to ensure a quality document within available time frames.</p> <p>A Valuation of Barry station is being progressed at the time of reporting.</p>
Implementation date	Immediate

Exhibit 4: Matter arising 4

Matter arising 4 – there is scope to improve the audit trail and supporting documentation in some areas	
Findings	<p>The Authority does not routinely retain goods delivery notes which makes it difficult to establish dates of receipt.</p> <p>No written evidence was available to support the approval of an in-year movement in reserves. The Reserves Policy says that movements in earmarked reserves are approved by the Treasurer. In this example the movement was approved verbally meaning no audit trail existed.</p> <p>The record of the depreciated historical cost of assets is not accurate, as it did not include asset additions in 2016-17 and 2017-18, or impairments. This made it difficult to confirm the accuracy of the revaluation reserve transactions and balances.</p> <p>In the above instances, sufficient audit trails were not provided, but no material issues were identified.</p>
Recommendation	R5 The Authority should improve their processes to ensure sufficient audit trails are available to support transactions and balances.
Accepted in full by management	Agreed to an extent.

Matter arising 4 – there is scope to improve the audit trail and supporting documentation in some areas

Management response	<p>The Authority utilises an electronic goods receipting system to allow three-way checks to be undertaken before payment of invoices through the suppliers' ledger.</p> <p>The Pay to Procure (P2P) team advise those responsible for ordering goods to enter the date from the goods receipt note (GRN) and retain the paperwork. Evidence of this process was provided during the audit for most samples requested. This, however, proves difficult when dealing with the delivery of services or other intangibles (as opposed to goods) as GRN's are not typically provided in such instances and so this is not a process we can adhere to on a wholesale basis.</p> <p>With regard to approval of earmarked reserves, this is reported and approved via the revenue and capital out-turn process for each financial year. For 2017/18 this occurred on 10 Sept FAPM. Moving forward, we intend to include the monitoring of reserves within our revenue monitoring report.</p> <p>Improvement work is ongoing in regards to the remaining item identified.</p>
Implementation date	Immediately

Exhibit 5: Matter arising 5

Matter arising 5 – aspects of related party disclosures require improvement

Findings	<p>Some related party transactions are classified as material by nature, with a lower level of materiality is applied to such disclosures. Our audit identified that:</p> <ul style="list-style-type: none"> • The related party disclosure was not in line with the Code. It was reconstructed by the Authority to disclose all income, expenditure and balances with related parties. • There were three instances where additional disclosures were made on the declarations but not included for consideration in the working papers supporting the disclosure.
Recommendation	R6 The Authority should ensure that all disclosures are in line with the Code and declarations are fully checked and included on the working papers.
Accepted in full by management	Agreed
Management response	
Implementation date	Immediately

Exhibit 6: Matter arising 6

Matter arising 6 – there remains scope to improve information technology infrastructure and network controls	
Findings	Previously we made recommendations to improve the Authority's IT infrastructure and network controls. Whilst some progress has been made over the last year, some actions remain outstanding.
Recommendation	R7 The Authority should continue to strengthen its IT infrastructure and network controls by: <ul style="list-style-type: none"> • replacing the remaining Windows Server 2003 and Windows XP machines; • implementing the updated IT change control procedure; • updating the IT Disaster Recovery plans and testing these plans fully annually; • using Intrusion Detection Software to help identify potential suspicious network activity, and; • reviewing the numbers of IT department staff with IT domain admin access to ensure these are all required.
Accepted in full by management	Agreed
Management response	<p>Work continues to replace the remaining Windows Server 2003 and Windows XP computers used within the service. An update was presented to the Security Risk Group on 18th September 2018.</p> <p>New change control procedures are being embedded as part of the ICT Service Desk implementation.</p> <p>A major rewrite of the ICT Disaster Recovery Plan was completed in September 2018 which will be further amended following the implementation of a new Backup/Restore system which is currently being tendered. Whilst we have a Disaster Recovery test for a single ICT system planned for December, we will wait until the above work has been completed before undertaking a service-wide test during 2019.</p> <p>A capital bid has been put forward for 2019/20 for the replacement of the outer firewalls and an Intrusion Detection System/Intrusion Protection System.</p> <p>A brief review of the security permissions held by ICT staff has been completed with changes being made, but a more detailed review will be completed during 2019.</p>
Implementation date	Financial year 2019/20

Appendix 1

Recommendations arising from our 2016-17 financial audit work

We raised a number of important issues in our Audit of Financial Statements Report for 2016-17, with 15 recommendations for improvement, all of which were accepted by officers. The Authority has made good progress in implementing the recommendations, but further work is required in some key areas:

- seven recommendations have been fully implemented;
- five recommendations have been partially implemented;
- two recommendations have not yet been implemented; and
- one recommendation is not yet due for implementation.

Exhibit 7 – recommendations arising from 2016-17 financial audit work

Recommendation	Management and Audit Response
<p>R1 The Authority should undertake a robust quality assurance review of the draft financial statements before they are submitted for audit.</p> <p>R2 The Authority should streamline the information and disclosures contained in the financial statements, to ensure it is relevant and material.</p>	<p>Management Response</p> <p>A project has been initiated to implement the CIPFA Closedown software also known as the Big Red Button. The software contains various validity checks and processes of quality assurance to improve accuracy and reduce errors such as rounding and casting. The Treasurer and Head of Finance will undertake quality reviews of the document prior to and post completion.</p> <p>Audit Response</p> <p>The draft accounts appear to have been through a more robust quality assurance process this year. There were fewer casting/cross-casting errors and the presentation was improved. Some non-material disclosures had been removed, but there is still scope for more disclosures to be excluded from the accounts. This will aid meeting the new 2018-19 audit timetable (see Matter arising 1).</p>

Recommendation	Management and Audit Response
<p>R3 The Authority should ensure that all transactions and balances are accounted for correctly, and that all disclosure requirements are complied with.</p> <p>R4 The Authority should ensure that the top-up grant received from the Welsh Government in respect of the Fire Fighters' Pension Fund is treated in the Authority's financial statements in accordance with the Code of Practice.</p>	<p>Management Response Procedure Notes have been added to the year-end closure working papers and timetable to remove the errors included above. Disclosure checklists and compliance with the Code of Practice will be part of the year end routines and included in the aforementioned project.</p> <p>Audit Response The majority of disclosures are completed in accordance with the Code and relevant guidance. However, some areas of the accounts have not been accounted for or disclosed correctly (see Matter arising 3). This includes treatment of the top-up grant.</p>
<p>R5 The Authority should ensure that a trial balance containing all adjustments is available at the start of the audit. The Authority should also provide a clear audit trail between entries in the financial statements and the trial balance.</p> <p>R6 The Authority should ensure that the opening balances working papers contain a reconciliation back to the 2015-16 accounts.</p>	<p>Management Response The processes included in the closedown software ensure full mapping of all trial balance and balance sheet codes to the financial statements, it also includes full tracking of adjustments through the year-end period. Opening balances will be identified within working papers which will be provided to the Audit team at the commencement of the audit process.</p> <p>Audit Response The trial balance was available at the start of the audit. Working papers had improved, although it is still a difficult and complex process. This will hopefully be mitigated in future years if the CIPFA Closedown software is introduced. Opening balances testing was completed with no issues identified.</p>
<p>R7 The Authority should regularly update its asset registers so that they show the correct information for all asset categories.</p> <p>R8 The Authority should prepare an analysis of depreciated historical cost by asset, to support the revaluation reserve movements and balances.</p> <p>R9 With regard to the next valuation the Authority should request the valuer to estimate the useful lives of buildings.</p>	<p>Management Response Improvement will continue to be made to the asset registers and historical data entries. The request will be included at the next valuation date.</p> <p>Audit Response We are content that the Authority's asset registers are materially accurate. An analysis of depreciated historical cost was provided but was not accurate (see Matter arising 4). The valuation was not due in 2017-18 so we will carry this recommendation forward.</p>

Recommendation	Management and Audit Response
<p>R10 The Authority should ensure all required members/officers/budget holders return a completed form and that all disclosures made on the declarations are fully checked and included on the working papers.</p>	<p>Management Response Every effort will be made to ensure a full return and detail included of disclosures from members, officers and budget holders. If no return is made this will be disclosed in the working paper and relevant notes to the accounts.</p> <p>Audit Response All returns were received. We did identify three instances where items included on the returns were not shown on the working papers (see Matter arising 5).</p>
<p>R11 The Authority should liaise with the actuary to ensure their calculations of the IAS 19 pension liability take account of the correct pension payments in 2017-18.</p> <p>R12 The Authority should satisfy itself that sufficient evidence is available for each pension payment and that pension payments have been calculated accurately.</p>	<p>Management Response The actuary will be made aware of the necessary adjustments to include in their calculations for the 2017/18 figures. Work is ongoing to improve the accuracy and checks undertaken by the pension administrators on behalf of the Authority.</p> <p>Audit Response The audit confirmed that the actuary had been made aware of the necessary adjustments. We did not identify any issues of insufficient evidence when completing our pensions testing.</p>
<p>R13 The Authority should update the collaboration agreement to provide clarity on the ownership of assets, and ensure this agreement is finalised on a timely basis. This will enable the Authority to correctly account for all related transactions and balances in the 2017-18 financial statements.</p>	<p>Management Response Several amendments to the collaboration agreement have been made in recent weeks and the project is going live in October 2017. The agreement is due to be signed in November 2017.</p> <p>Audit Response The collaboration agreement has now been finalised and signed by relevant parties.</p>

Recommendation	Management and Audit Response
<p>R14 The Authority should strengthen its IT infrastructure and network controls by:</p> <ul style="list-style-type: none"> • replacing the remaining Windows Server 2003 machines and the Windows XP machines used; • implementing the updated IT change control procedure; • updating the IT Disaster Recovery plans and testing these plans fully annually; • using Intrusion Detection Software to help identify potential suspicious network activity; • reviewing the numbers of IT department staff with IT domain admin access to ensure these are all required; and • setting password complexity on for network passwords. 	<p>Management Response A detailed action plan is in place to address each of the recommendations noted above.</p> <p>Audit Response Some recommendations are outstanding (see Matter arising 6).</p>
<p>R15 The Authority should develop a comprehensive project plan to identify the key tasks and interdependencies of the accounts preparation and audit process, and to set out the improvements needed to bring the timetable forward. Elements of engagement with the audit team also require strengthening.</p>	<p>Management Response A project has been initiated to implement the CIPFA closedown software. This will lead to significant changes and improvements in the drafting of the statement of accounts. Further work will be undertaken throughout the 2017/18 closedown to identify areas which require streamlining, including areas of soft close and where estimates will be required. A post-audit meeting has been arranged with the Audit team to try and improve the procedures and timescales from both sides, with faster closure being the key consideration.</p> <p>Audit Response There have been improvements this year, with some testing being carried out earlier, comprehensive working papers being available on the first day of the audit and having prompt responses to audit queries when on-site. However, improvements could still be made (see Matter arising 1).</p>

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REPORT OF THE DEPUTY CHIEF OFFICER & THE INTERNAL AUDITORS

INTERNAL AUDIT REPORT

SUMMARY

This report updates Members upon progress being made against the Internal Audit Plan 2018/2019.

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 2018/2019 which was approved by this Committee on 23 April 2018.
- 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 1 final report being issued:-

- **Fleet Management - Usage**

The Summary Internal Audit Progress Report written by TIAA Limited is attached as Appendix 2.

2.2 Fleet Management - Usage

- 2.2.1 The review appraised the effectiveness of the usage planning arrangements for the fleet. The review also followed up the implementation of the recommendations made in the 2017/2018 Fleet Management Fuel Review.
- 2.2.2 The audit area received a limited level of assurance with thirteen recommendations and two areas of operational effectiveness

identified. Eight recommendations were priority level two (important), and five priority level three (routine).

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.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Fleet Management - Usage Appendix 2 – Summary Internal Audit Progress Road

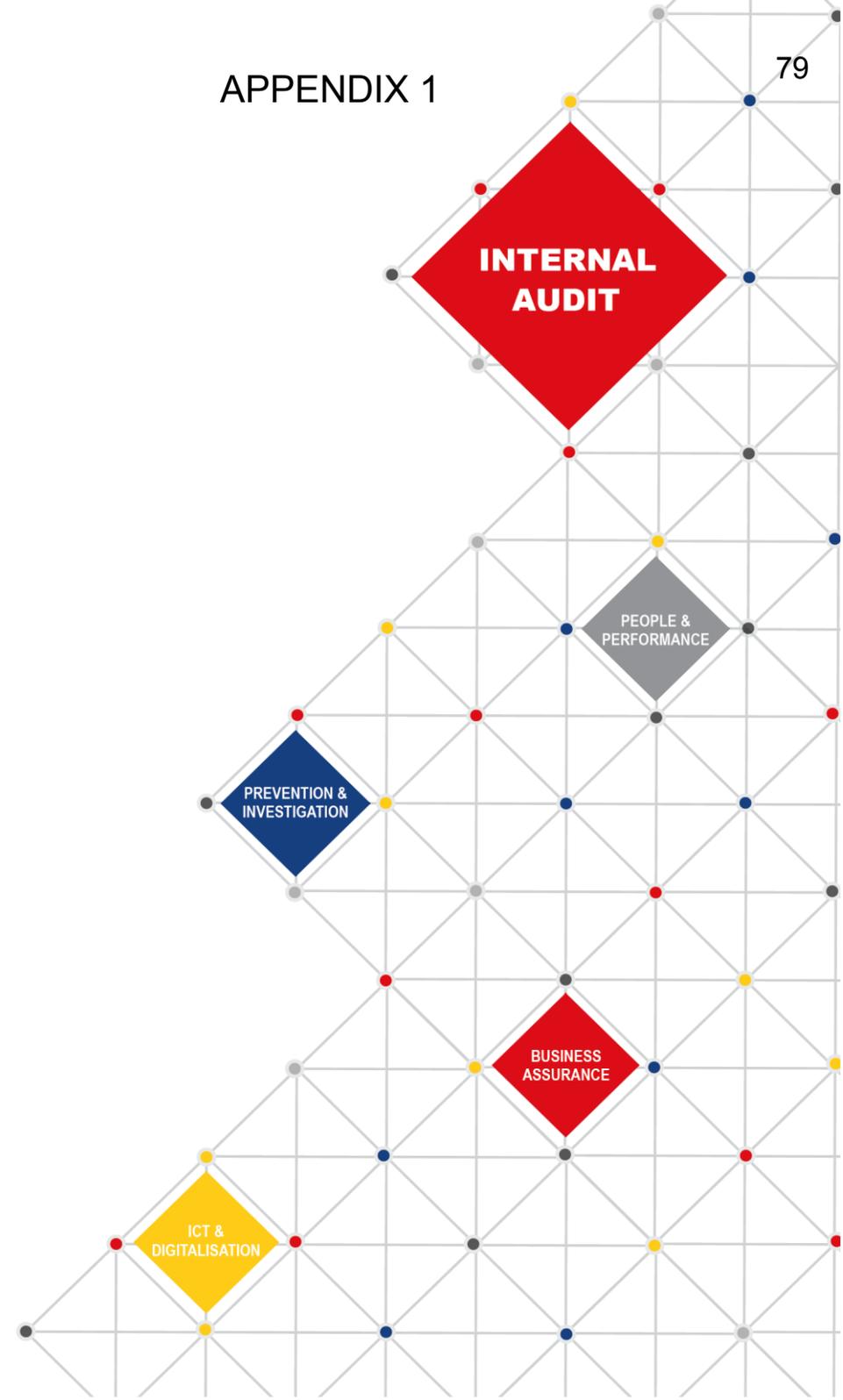
South Wales Fire and Rescue Service

Appraisal Review of Fleet Management - Usage

November 2018

FINAL

2018/19



Executive Summary

OVERALL ASSURANCE ASSESSMENT



OVERALL CONCLUSION

The Service still has several issues to address in relation to the Fleet Management Usage arrangements

- Business Management Information performance data needs to be more accurate.
- Annual reviews need to be undertaken of the usage of all vehicles allocated to individual departments.
- The Fleet and Engineering Service Standard is currently out of date.
- Over a 1,000 job cards need to be completed on the Tranman system.
- The OP-03.003 Fleet and Engineering Procedure does not make it clear on the use for Flexi-Duty Officers/long term users.

SCOPE

The review appraised the effectiveness of the usage planning arrangements for the fleet. The review also followed up the implementation of the recommendations made in the 2017/18 Fleet Management Fuel review.

ACTION POINTS

Urgent	Important	Routine	Operational
0	8	5	2

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	Operational	The Fleet and Engineering Department Service Standard, which is effectively a Service Level Agreement was approved by the Senior Management Team (SMT) in November 2011 and reviewed in November 2013 and is now overdue a review.	The Fleet and Engineering Service Standard be reviewed and updated to reflect current arrangements.	2	<i>The service standard has been replaced by the 2017 fleet strategy reported to fire authority in October 2018.the service standard is no longer applicable.</i> <i>Do not agree with the level of priority as the service standard was an obsolete document (not known by the Acting fleet engineer).</i>	Completed 31/10/18	Christophe r Temby Head of Fleet Engineering Temp
3	Operational	The Service has implemented a New Business Management Information system and whilst there are performance indicators present the Interim Head of Fleet stated that they were not accurate.	The data used to report performance indicators on the Business Management Information system be reviewed to ensure more accurate data is published.	2	<i>The BMIS team are working on the system to ensure that all of the information collected will be as accurate as possible.</i>	31/01/19	BMIS Team

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)
4	Operational	At the time of the review the Tranman system reported 1,427 open Job Cards, of which 1,091 were 'Workshop completed'. As these jobs have not been closed and hence not archived the actual labour and costs of parts, if taken from stock, have not been applied to the whole time costs of that vehicle.	All 'Workshop completed job cards' be checked and closed off in order that the jobs can be archived and costings imported into the Tranman system.	2	<i>The temporary loss of an administration assistant has caused the job cards to increase in numbers. We are currently working on these job cards to reduce the numbers to a satisfactory level. We aim to have all job cards closed within a 90 day period.</i>	31/12/18	<i>Christopher Temby Head of Fleet Engineering Temp</i>
5	Operational	The OP-03.003 Fleet and Engineering Procedure sets out the process for pool vehicles under Section 13 Application for Use of Service Transport including conditions of use. The Procedure does not make it clear on the use for Flexi-Duty Officers/long term users.	The OP-03.003 be reviewed and updated to include clearer reference to the process of pool vehicles, especially the long term use of these vehicles by Flexi-Duty Officers who are exempt from HMRC car benefit regulations under section 248A.	2	<i>Subject to be discussed with ACFO Prendergast and an update of op-03.003 will be carried out if required.</i>	Completed 31/10/18	<i>Christopher Temby Head of Fleet Engineering Temp</i>

PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Operational	There was no evidence of dip sampling of vehicles on the vehicle tracking system to determine the movements of vehicles especially noting periods when the vehicle is stationary and movements outside of the Service area. This could involve users where the vehicle has not been made available to Fleet which could indicate leave periods.	Periodic dip sampling utilising the vehicle tracking system of pool vehicles allocated to Flexi-Duty Officers and those allocated on a long term basis to individuals/departments be undertaken to determine the vehicle movements.	2	<i>Hubio tracking systems have been asked to provide a weekly report to show non usage of vehicles measured in days. Dip sampling will also be carried out to ensure correct usage of vehicles.</i>	<i>Implemented 30/11/18</i>	<i>Christopher Temby Head of Fleet Engineering Temp</i>
7	Operational	The review revealed on the Tracker System that a Van registration KW65XXX over the last seven months had not moved for a whole month on three occasions - 26 th January to 5 th March - 27 th March to 1 st May and 6 th July to 6 th August. This raises questions on the need for this van and whether a van could be requested through Fleet from pool vehicles or hired when required.	The ongoing requirement of a Van, registration KW65XXX allocated to a department be undertaken with that department.	2	<i>The non-usage of this vehicle has been discussed with the line manager. The outcome is that a vehicle will be removed from the department either for disposal or reallocation.</i>	<i>Completed 31/10/18</i>	<i>Christopher Temby Head of Fleet Engineering Temp</i>

PRIORITY GRADINGS

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Fundamental control issue on which action should be taken immediately.

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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)
8	Operational	A review of vehicle usage was carried out by the 'Shaping our future Team' in 2017 which showed that the annual mileage for pool vehicles was an average of 9,157 miles. It would be prudent to undertake further annual reviews especially those allocated to departments.	Annual reviews be undertaken of usage of all vehicles allocated to individual departments.	2	<i>Recommendation not accepted.</i>	<i>Implemented 31/10/18</i>	<i>Christopher Temby Head of Fleet Engineering Temp</i>
9	Operational	The highest percentage usage was 86% and this does not include the days vehicles such as the van as stated in paragraph 11.26 could have been brought back to Fleet. This would have reduced the number of "Days in Due/Allocated" which would have then reduced the percentage usage even more. This reduction would have highlighted that greater availability and hence a potential reduction in the number of pool vehicles.	Periodic reviews of pool vehicle usage be undertaken to establish if the Service is receiving the most efficient use of pool vehicles.	2	<i>Although the Audit showed 86 percent it is dependent on the number of temporary officers which are in position at the time. This varies from one month to another. There is a possibility that we could reduce car numbers and hire in when required however this does cause problems regarding officers requiring blues and twos. Another factor is when a member of staff cancels a booking at the last minute</i>	<i>Completed 31/10/18</i>	<i>Christopher Temby Head of Fleet Engineering Temp</i>

PRIORITY GRADINGS

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

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p>due to circumstances beyond their control this effects the overall figure for the month.</p> <p>The audit carried out by the FTA showed that the organization was operating the correct amount of pool vehicles, there has been no increase in pool vehicles since this audit was carried out.</p>		
2	Operational	At the time of the review there has been no local KPI reporting. The Interim Head of Fleet stated that the department has lost the Crystal Reporting Functionality, which was used to generate reports from Tranman as well the knowledge to carry out KPI reporting that was undertaken by the previous Head of Fleet.	Local KPI reporting be introduced to highlight the performance and productivity of the Fleet Department.	3	<p>The BMIS will in the future report our KPI. Work is being carried out in order for the figures to be become more accurate.</p> <p>Another option would be to upgrade the Tranman system to version 9 which will offer a number of benefits' to the department as well live KPI's.</p>	Implementation 2019 BMIS	BMIS Team

PRIORITY GRADINGS

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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)
10	Operational	As stated in the table in paragraph 11.27 the vehicle tracker for vehicle DE16XXX is not working. This needs to be investigated to ensure it has not been tampered with or that it is defective.	The reason for the tracker not working in vehicle registration CE16XXX be investigated and corrected.	3	<i>Defect has been corrected.</i>	<i>Completed 31/10/18</i>	<i>Christopher Temby Head of Fleet Engineering Temp</i>

PRIORITY GRADINGS

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

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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)
11	Operational	It would be prudent for the Fleet Department to undertake random checks on Vehicle trackers on the Hubio system.	All vehicles where the tracking devices are not operating be checked and repaired.	3	<p><i>There are a number of faults with the Hubio system. The tracking system has been temperamental and this has not been helped by the changes in company ownership a number of times causing a loss of continuity. I have contacted the company several times and as yet have been unable to secure a meeting with the director to resolve the problems that we are facing.</i></p> <p><i>However the tracking system is used daily and any defects are rectified as soon as identified, in the case with the above vehicle the vehicle was tracking correctly but failed to produce a report when requested.</i></p>	Implemented 31/10/18	Christopher Temby Head of Fleet Engineering Temp

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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)
12	Operational	Testing revealed that the labour hours appeared high and this was also questioned by the Interim Head of Fleet. It was also noted that one part, a Seal was charged at £617.00 instead of £6.17 which was processed and paid for through the eFIN system. It would be prudent to carry out a review of jobs with high value costs for parts and/or labour costs as part of the closure process of jobs as quality assurance exercise and to question/verify high and unusual costs.	A review of jobs with high value costs for parts and/or labour costs be undertaken as part of the closure process of jobs on Tranman.	3	<i>Human error was to blame on this occasion. I have asked the relevant team to be more vigilant when checking and closing job cards.</i>	Completed 31/10/18	Christophe r Temby Head of Fleet Engineering Temp

PRIORITY GRADINGS

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

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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)
13	Operational	It was also noted that an order, number P27557, was raised for vehicle CN08GEU after the vehicle was disposed of. The order was for a full service kit and wipers and was raised on 5 th January 2018. The order was 'goods receipted' on 10 th January and paid on 16 th February 2018. The proceeds for the sale of the vehicle were received on 10 th January 2018. Whilst the order value was not material this needs to be investigated why an order was placed potentially after the vehicle was sold.	The order for a full service kit and wipers for registration number CN08GEU placed after the sale be investigated.	3	<i>At the time that the parts were ordered the process was that the Workshop Delivery Manager would order the parts in advance of the vehicle coming in for service. This is to reduce the downtime that the vehicle is in the workshop. On this occasion the vehicle was disposed of in December but still remained on the automatic service schedule and therefore the parts were ordered by mistake. On discovering that the vehicle was disposed of the parts should have either have been sent back or transferred to another vehicle of the same marque and E-fin adjusted accordingly.</i>	Completed 31/10/18	<i>Christophe r Temby Head of Fleet Engineering Temp</i>

PRIORITY GRADINGS

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Fundamental control issue on which action should be taken immediately.

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IMPORTANT

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

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ROUTINE

Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
1	Operational	Consideration be given to upgrading to Version 9 of Tranman preferably under collaboration with other Fire Rescue Services.	<i>A meeting is arranged with Tranman to demonstrate the benefits of the upgrade.</i>
2	Operational	Consideration be given to fitting trackers to all appropriate vehicles.	<i>We currently have approximately 120 tracker on our light vehicles, I would like to ensure that the system is working effectively before investing further money on additional trackers. This is something that is ongoing.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in August 2018 as part of the planned internal audit work for 2018/19. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Background

2. The Service needs to manage its fleet to ensure both operational and support functions have access to vehicles and equipment that are fit for purpose, safety and legally compliant.

Materiality

3. The Service needs to have comprehensive fleet management arrangements in place to deliver effective and value for money use of the fleet.

Key Findings & Action Points

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

5. The review appraised the effectiveness of the usage planning arrangements for the fleet. The review also followed up the implementation of the recommendations made in the 2017/18 Fleet Management Fuel review.
6. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

Disclaimer

7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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. 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.

Risk Area Assurance Assessments

8. The definitions of the assurance assessments are:

Substantial Assurance	From a review which did not consider the internal control arrangements the expected practices and processes are in place.
Reasonable Assurance	From a review which did not consider the internal control arrangements some of the expected practices and processes are in place, although improvements could be made to the arrangements.
Limited Assurance	From a review which did not consider the internal control arrangements a small number of the expected practices and processes are in place. Significant improvements to the arrangements are required.
No Assurance	From a review which did not consider the internal control arrangements there is a fundamental absence of the expected practices and processes are in place. Immediate action is required to improve the arrangements.

Acknowledgement

9. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

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

Date draft report issued:	29 th August 2018
Date revised draft report issued:	10 th October 2018
Date management responses received:	5 th November 2018
Date final report issued:	7 th November 2018

11. The following matters were identified in reviewing the Key Risk Control Objective:

Operational Risk: Failure to identify opportunities to operate more efficiently or to be prepared for forthcoming changes.

- 11.1 As part of the review a follow up on the recommendations from last year's Fleet Management – Fuel Usage report was undertaken. The Fuel Usage review identified fifteen recommendations, one priority one, five priority two and eight priority three recommendations. The follow up conducted revealed that fourteen out of the fifteen recommendations have been implemented. The one priority two recommendation still outstanding has been re-iterated in this report (Recommendation 5 refers) to take into account further issues identified.
- 11.2 The Finance, Asset and Performance Management Working Group approved the Fleet Asset Management Plan (FAMP) 2017-2021 in January 2018. The FAMP is very comprehensive and includes Fleet List / Asset Register, Vehicle Replacement Program (VRP) and Capital Spend 2017 to 2023.
- 11.3 It was noted that under the Audit and Review section within the FAMP it refers to "The Department was successful in its pursuit of the ISO 9008 Quality Accreditation during 2009/10". This should be ISO 9001:2008.
- 11.4 The Fleet & Engineering Department Service Standard, which is effectively a Service Level Agreement was approved by the Senior Management Team (SMT) in November 2011 and reviewed in November 2013 but is now overdue a review. The Service Standard outlines the Service Delivery Standards provided by the Fleet and Engineering Services Department with the aim of providing cost effective, proactive and reactive technical support around the clock, 365 days per year in direct support of the Service's 24/7 activities and to provide the Service with a fit for purpose, safe and reliable fleet of vehicles and plant to assist in serving and protecting the population of South Wales. The Service Standards are a comprehensive document that details the functions to be provided by the workshops and details the response times and prioritisations for the delivery of these services.

Recommendation:

1

The Fleet and Engineering Service Standard be reviewed and updated to reflect current arrangements.

Priority: 2

- 11.5 The OP-03.003 Fleet and Engineering Procedure was last reviewed and updated in April 2017.

- 11.6 The Service's VRP, which is also detailed within the Service Standards sets out the expected service live for each type of appliance used by the Service. Vehicle service lives depend on a number of different factors that include the type of vehicle, rate of use, original build quality, availability of replacement parts and technical support from the original manufacturers. The Service lives are set out as follows:
- Appliances vary from 10 to 15 years
 - Aerial Ladder Platform 21 years (or re-chassis)
 - Combined Foam / Water Tender 20 years
 - Mini Bus 10 years
 - Cars 4 years
 - Utility Vans 3 to 6 years
- 11.7 The Fleet Engineering Workshops have obtained ISO 9001 certification and have recently passed the accreditation audit for compliance to the 2015 standard. A suite of detailed procedures and standard forms have been developed and are retained in a detailed Repairs & Maintenance Business Manual.
- 11.8 The Service uses the Tranman Fleet Management system for recording all vehicles and maintenance and this electronic system is augmented by a series of magnetic display boards that visually display all vehicles and their maintenance and inspection dates by month.
- 11.9 The Service is currently using Tranman Version 8. South Wales, Gwent and Dyfed-Powys Police have collaborated together and have migrated to Version 9. Tranman Release 9 has dashboard style functionality enabling the number of services overdue and the “Vehicles Not Serviced for 12,000 miles or More” to appear as ‘tiles’ on the dashboard and the relevant data to appear instantly when you click on the ‘tile’. The Forces have benefited from the collaboration in terms of the initial upgrade and for future software amendments and upgrades. TIAA were informed that Mid and West Wales Fire and Rescue Service are in the process of upgrading to Version 9 so it would appear that both Services have missed an opportunity to collaborate together to reduce costs for future improvements and costs.

**Operational
Effectiveness
Matter: 1**

Consideration be given to upgrading to Version 9 of Tranman preferably under collaboration with other Fire Rescue Services.

11.10 At the time of the review there had been no local KPI reporting. The Interim Head of Fleet stated that the department has lost the Crystal Reporting Functionality, which was used to generate reports from Tranman as well as the knowledge to carry out KPI reporting that was undertaken by the previous Head of Fleet. The type of KPIs could be:

- number of job cards outstanding
- number of jobs completed per month
- number of jobs average number of hours per job per month
- average number of days.

Recommendation: 2	Local KPI reporting be introduced to highlight the performance and productivity of the Fleet Department.
Priority: 3	

11.11 The Service has implemented a New Business Management Information system and whilst the following four performance indicators are present the Interim Head of Fleet stated that they were not accurate:

- T1 % availability of B type W/L for allocated duties
- T2 Average cost of Major Service for B type W/L
- T3 Number of category 'A' breakdowns
- T4 % Output of workshops.

Recommendation: 3	The data used to report performance indicators on the Business Management Information system be reviewed to ensure more accurate data is published.
Priority: 2	

11.12 Repairs Operatives provide out of hours support through a rota. Out of hours failures or other issues affecting vehicle availability are reported through the Service Control who contact the workshop Duty Supervisor who decides if a Technician needs to be despatched.

- 11.13 The Service's vehicle maintenance programme includes a mix of regular vehicle servicing and safety inspections. The Planned Preventative Maintenance Programme groups operational appliances into one of four groups with vehicles being subjected to a major annual service, a six monthly intermediate service and quarterly safety inspections in between the two services. Vehicles classified as special vehicles are serviced under a tailored schedule to meet manufacturer's recommendations and vehicle usage. This schedule can include monthly specialist load checks. The intermediate inspections are undertaken on site at the relevant Station.
- 11.14 All major services, half yearly and quarterly inspections are pre-planned in the Scheduler programme within Tranman, the number of which depends on the vehicle type. This process also includes scheduling MOTs where applicable.
- 11.15 The Fleet Department ensure as part of the scheduling that MOTs are undertaken the same time a vehicle is brought in for a major service to reduce the amount of downtime for that vehicle. This was verified during a review of the 'Scheduler'.
- 11.16 A review of a sample of vehicles that included appliances and other vehicles revealed that all had been serviced and had received safety inspections in accordance with the Planned Preventative Maintenance Programme and all services and safety inspections had been recorded on Tranman.
- 11.17 Specialist equipment such as hydraulic platforms are subjected to an annual service and test by their manufacturers who then issue the Service with a test certificate. They have a six month intermediate service undertaken by the Fleet Workshop and have a monthly safety inspection.
- 11.18 At the time of the review the Tranman system reported 1,427 open Job Cards, of which 1,091 were 'Workshop completed'. As these jobs have not been closed and hence not archived the actual labour and costs of parts, if taken from stock, have not been applied to the whole time costs of that vehicle. These were jobs that need to be checked and formally closed in order that the whole time costs of vehicles is accurate and up to date. An Administrator is currently working through the backlog.

Recommendation:**4**

All 'Workshop completed job cards' be checked and closed off in order that the jobs can be archived and costings imported into the Tranman system.

Priority: 2

- 11.19 All operational vehicles are given a Pre-Operational Inspection and Test at every watch change and any issues identified are reported to the Fleet Workshops where a decision is made to either send out an operative to repair the identified fault or to replace the suspect vehicle with one from the Service's reserve vehicle fleet whilst the operational vehicle is repaired.

11.20 The OP-03.003 Fleet and Engineering Procedure sets out the process for pool vehicles under Section 13 Application for Use of Service Transport including conditions of use. The procedure states that "Pool and Provided vehicles are for official F&RS use only unless specifically authorised by Senior Management; no unauthorised usage is allowed. To ease the burden on light fleet resources, provided cars are to be returned to Fleet & Engineering during periods of extended leave or absence". The Procedure does not make it clear on the use for Flexi-Duty Officers/long term users (Paragraph 11.1 refers). Flexi-Duty Officers have access to long term usage of pool vehicles but are exempt from HMRC tax regulations in relation to 'benefits in kind' under section 248A. Section 248a sets out that there is no charge to tax for the private use of an emergency vehicle where all the following conditions are met:

- Persons employed for the purposes of a fire, or fire and rescue, service;
- Vehicle which is used to respond to emergencies and has fixed to it a lamp designed to emit a flashing light for use in emergencies;
- The emergency vehicle must be made available on terms which prohibit its private use otherwise than when the person is on call or engaged in on call commuting;
- At the time they use the emergency vehicle, the person must be liable, as part of normal duties, to be called on to use it to respond to emergencies
- The emergency vehicle can only be used for ordinary commuting, or for travel between two places that is for practical purposes substantially ordinary commuting.

Recommendation: 5	The OP-03.003 be reviewed and updated to include clearer reference to the process of pool vehicles, especially the long term use of these vehicles by Flexi-Duty Officers who are exempt from HMRC car benefit regulations under section 248A.
Priority: 2	

11.21 The Fleet Department maintain a Vehicle Allocation Spreadsheet for pool vehicles. The spreadsheet which is in the form of a calendar is colour coded to represent the following:

- Green - Allocated on long term basis to person/department that is NOT on flexi-duty
- Orange - Booked on short term basis to person/department that is NOT on flexi-duty
- Red - Flexi-Duty Officer

- Light Purple - Vehicle returned and available (introduced 11.06.18)
- Blue - Workshops - Vehicle either in FS Workshops or a Dealership for repairs

11.22 At the time of the review there were 19 out of the 53 pool vehicles booked out to users annotated as Flexi-Duty Officers. Whilst there are a few days where the vehicles are booked in for repairs/accidents, the majority of which were booked out continuously for several months and are blocked off until the end of December 2018.

11.23 There was no evidence of dip sampling of vehicles on the vehicle tracking system to determine the movements of vehicles especially noting periods when the vehicle is stationary and movements outside of the Service area. This could involve users where the vehicle has not been made available to Fleet which could indicate leave periods.

Recommendation:
6

Periodic dip sampling utilising the vehicle tracking system of pool vehicles allocated to Flexi-Duty Officers and those allocated on a long term basis to individuals/departments be undertaken to determine the vehicle movements.

Priority: 2

11.24 At the time of the review the Service had procured 34 new leased vehicles, 20 Volkswagen Golf's and 14 Skoda Karoq's (4x4) to replace 34 Volkswagen Golf's where the lease has expired. The change to include 14 Skoda's is due to resilience during inclement weather whereby the Service struggled through the heavy snowfall in February this year. The 'like-for-like replacement in terms of numbers was determined by the previous Head of Fleet and are on four years leases. The rationale behind the like-for-like replacement programme is unknown but is assumed to be based on the Pool Vehicle Allocation spreadsheet (Recommendation 13 refers).

11.25 A review of the Pool Vehicle spreadsheet revealed the following availability outcomes which are listed in the table below:

Month (2018)	Days In Use/Allocated	No of Days In Month	% Usage
February	1152	1484	78%
March	1338	1643	81%
April	1364	1590	86%
May	1376	1643	84%
June	1366	1590	86%
July	1376	1643	84%

11.26 The Lease Scheme Policy and Procedure (2013) sets out that “Employees who qualify for entry onto the lease scheme, may opt for a Tactical Officer Pool Car which will be supplied by the Service free of charge to the individual. The vehicle supplied would be for business purposes only with a provision for a limited freedom of movement element of 25 miles per day on days when the individual is providing 24 hour operational cover”. The Policy also states that “Persons choosing to opt for a Tactical Officer Pool Car should be aware of the criteria that must be followed and in particular they should be aware of the 5 essential criteria applicable as stated below:

“The conditions that must all be satisfied each tax year to prevent a taxable benefit in kind arising are set out in HMRC’s legislation.

1. The car must be made available to, and actually used by, more than one employee;
2. The car must be made available to each employee by reason of their employment;
3. The car must not be ordinarily used by one employee to the exclusion of others;
4. For each employee, any private use of the car must be merely incidental to the employee’s other use of the car in that year. For example, an employee who is required to go on a long business trip will be allowed to take the pool car home the night before for an early start the next morning. In this context the office to home journey in the car will be considered incidental to the business trip the next day. However, if this is a regular occurrence condition 5 detailed below may be affected; and
5. The car must not normally be kept overnight on or in the vicinity of the residence of any of the employees, unless it is kept on premises occupied by the provider of the car. Although it does not have any statutory basis, in practice HMRC accept that a car is ‘not normally kept overnight’ at the homes of employees where this happens less than 60% of the year. However, if a car were to be kept at an employee’s home overnight for say 50% of the year, whilst condition 5 would not be affected, thought should be given to whether this means the ‘merely incidental’ test in condition 4 has not been met. It should also be noted that insufficient parking space or safety concerns at the business’s premises are not accepted by HMRC as allowable reasons for keeping the car at an employee’s home overnight”.

A number of instances were noted from subsequent testing that indicate the arrangements in place for administering the Tactical Officer Pool Car Policy are non –compliant with HMRC conditions.

11.27 A sample of five vehicles allocated to a department was undertaken. The review revealed on the Tracker System that a Van registration KW65XXX over the last seven months had not moved for over a whole month on three occasions:

- 26th January to 5th March 2018
- 27th March to 1st May 2018

- 6th July to 6th August 2018.

This raises questions on the need for this van and whether a van could be requested through Fleet from pool vehicles or hired when required.

**Recommendation:
7**

The ongoing requirement of a Van, registration KW65XXX allocated to a department be undertaken with that department.

Priority: 2

- 11.28 A review of vehicle usage was carried out by the 'Shaping our future Team' in 2017 which showed that the annual mileage for pool vehicles was an average of 9157 miles. It would be prudent to undertake further annual reviews especially those allocated to departments to ascertain the need for any vehicle. The Interim Head of Fleet stated that he has enquired about having a vehicle usage report from the Hubio Vehicle Tracking system. This would be a useful management tool for vehicles with a tracking system only.

**Recommendation:
8**

Annual reviews be undertaken of usage of all vehicles allocated to individual departments.

Priority: 2

- 11.29 The highest percentage usage of pool vehicles was 86% (paragraph 11.26 refers) and this does not include the days vehicles such as the van as stated in paragraph 11.27 could have been brought back to the Fleet Department. This would have reduced the number of "Days in Due/Allocated" which would have then reduced the percentage usage even more. This reduction would have highlighted that greater availability and hence a potential reduction in the number of pool vehicles. It would be prudent to undertake periodic reviews of pool vehicle usage to determine if the Service is receiving the most efficient use of pool vehicles.

**Recommendation:
9**

Periodic reviews of pool vehicle usage be undertaken to establish if the Service is receive the most efficient use of pool vehicles.

Priority: 2

11.30 As stated in the table in paragraph 11.28 the vehicle tracker is not working. This needs to be investigated to ensure it has not been tampered with or that it is defective.

Recommendation: 10	The reason for the tracker not working in vehicle registration CE16XXX be investigated and corrected.
Priority: 3	

11.31 It would be prudent for the Fleet Department to undertake random checks on Vehicle trackers on the Hubio system.

Recommendation: 11	All vehicles where the tracking devices are not operating be checked and repaired.
Priority: 3	

11.32 It was noted during the sample testing in paragraph 11.28 that not all vehicles have tracking devices. The Interim Head of Fleet stated that approximately 80% of vehicles have trackers.

Operational Effectiveness Matter: 2	Consideration be given to fit trackers to all appropriate vehicles.
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11.33 All pool vehicles have a file that contains a Drivers Handbook, Pool Vehicle Usage form, a Pen, Refuelling Guidance Note and a Light Vehicle Log. The Light Vehicle Log is for users to record the reasons for the journey, the odometer reading journey Mileage drivers name and signature. A review of a sample of five vehicles revealed that the Vehicle Log was fully completed.

11.34 Vehicle MOT tests are recorded on Tranman which flags when MOT tests are required. Vehicles are taken to an external MOT test centre when MOT tests are required.

11.35 A sample of 10 vehicles was selected and the registrations were checked to the www.Gov.UK website. In each case the website confirmed that the vehicles now have valid MOT.

11.36 The Service disposes of fleet assets by donations or at auction after decommissioning. A V21 disposal of Vehicles and Plant form must be completed and authorised by the Senior Procurement Officer.

- 11.37 A sample of five vehicles disposed of in the last 12 months was selected and each one was disposed of in line with the Fleet Asset Management Plan.
- 11.38 Testing did reveal in regards to vehicle CN08GEU which was disposed of in November 2017 that a loss in power was experienced in November 2016 and as a result a new turbo was fitted. The job entailed 50 labour hours costing £2,185 and many parts costing £1,892. The labour hours appeared high and this was also questioned by the Interim Head of Fleet. It was also noted that one part, a seal was charged at £617.00 instead of £6.17 which was actually processed and paid for through the eFIN system. It would be prudent to carry out a review of jobs with high value costs for parts and/or labour costs as part of the closure process of jobs as a quality assurance exercise and to question/verify high and unusual costs.

Recommendation:
12

A review of jobs with high value costs for parts and/or labour costs be undertaken as part of the closure process of jobs on Tranman.

Priority: 3

- 11.39 It was also noted that an order, number P27557, was raised for vehicle CN08GEU after the vehicle was disposed of. The order was for a full service kit and wipers and was raised on 5th January 2018. The order was 'goods receipted' on eFIN on 10th January and paid on 16th February 2018. The proceeds for the sale of the vehicle were received on 10th January 2018. Whilst the order value was not material it needs to be investigated why an order was placed potentially after the vehicle was sold.

Recommendation:
13

The order for a full service kit and wipers for registration number CN08GEU placed after the sale be investigated.

Priority: 3



South Wales Fire and Rescue Service

Summary Internal Controls Assurance (SICA) Report

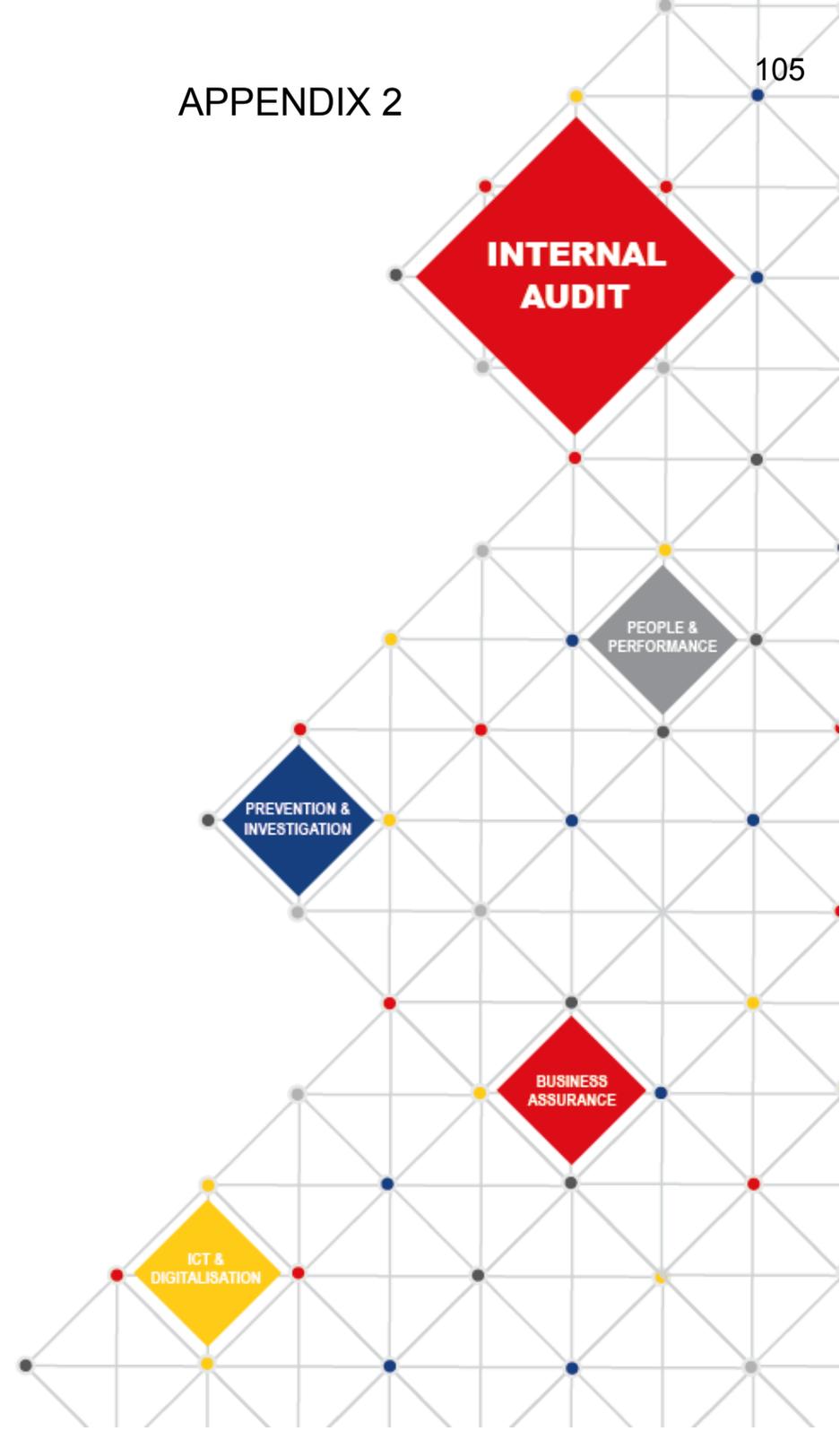
November 2018

FINAL

2018/19

APPENDIX 2

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INTRODUCTION

1. This summary report provides the Audit Committee with an update on the progress of our work at South Wales Fire and Rescue Service as at 3rd November 2018.

PROGRESS AGAINST THE 2018/19 ANNUAL PLAN

2. Our progress against the Annual Plan for 2018/19 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

INTERNAL CONTROL FRAMEWORK

3. There have been no reports issues as final since the previous SICA report.

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 to date.

AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. There have been no further reports issued as final since the previous SICA report.

CHANGES TO THE INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2018/19

6. Management have requested that the review of Governance – Performance Management is not completed as this is not required by the Wales Audit Office at present. This was replaced with a review of Training Records for which a final report has been issued. The scope of the Training Records review was as follows: ‘In order to provide assurance for South Wales Fire and Rescue Service, TIAA have been requested to review the adequacy and completeness of the recording and reporting of training records for all risk critical operational training for the Service’.

FRAUDS/IRREGULARITIES

7. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

LIAISON

8. **Liaison with external audit:** We have ongoing liaison with Wales Audit Office.

PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

9. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA or Progress Report.

OTHER MATTERS

Briefings on Developments in Governance, Risk and Control are included in Appendix C.

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 2018/19

System	Planned Quarter	Days	Current Status	Comments
Governance – Performance Management	1	10	Not required.	Replaced by a review of <i>Training Records</i> , as detailed in paragraph 6 of this summary report.
Fleet Management – Usage	1	6	Draft Report Issued 29 th August 2018	
HR Management – Rosters	1	6	Draft report issued 31 st July 2018	
Training Records	2	10	Final report issued 7 th August 2018	Replaces the <i>Performance Management</i> review, as detailed in paragraph 6 of this summary report.
Anti-Fraud Data Analytics – Deep dive review of payments	2	6	Final report issued 7 th August 2018	
Station Visits	2	4	Final report issued 13 th September 2018	
Estate Management – Delivery	2	6	Final report issued 9 th October 2018	
Governance – Partnerships	2	6	Final report issued 23 rd August 2018	
Risk Management – Mitigating Controls/Board Assurance	2	6	Final report issued 10 th October 2018	
GDPR Compliance Audit	2	5	Draft Report Issued 29 th August 2018	
Key Financial Controls	4	6	Audit planned for 7 th January 2019	
Follow-up	4	3	Audit Planned for 4 th February 2019	
2018/19 Annual Plan and Strategy	1	2	Draft agreed - Final Internal Plan to be issued	
2018/19 Annual Report	4	1		
Management & Planning	1-4	7	Ongoing	

KEY:

	=	To be commenced
	=	Site work commenced

	=	Draft report issued
	=	Final report issued

Recommendations – Priority 1 Only

No Urgent (Priority 1) recommendations have been made.

Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs issued since the last meeting which may be of relevance to South Wales Fire and Rescue Service is given below. Copies of any CBNs are available on request from your local TIAA team.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
No Client Briefing Notes have been issued since the last Summary Internal Controls Assurance (SICA) Report.				

Copies of Finalised Audit Reports – Limited Opinions Only

No 'Limited Assurance' audit reports have been issued to date.

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**FORWARD WORK PROGRAMME FOR
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2018/19**

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
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: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	ACFO SD Contact Officer: Sarah Watkins	
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	
10 Sept 2018	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
10 Sept 2018	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

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
10 Sept 2018	Statement of Accounts	To advise Members of the content of the Statement	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	Completed
10 Sept 2018	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year, and review Q1 progress against each of the statutory PI's	DCO Contact Officer: Sarah Watkins	Completed
10 Sept 2018	Update on Call Volumes & Grassfire Incidents over the Summer Period	To advise Members of increased operational activity over the summer period	ACFO SD/DCO Contact Officer: Andy Thomas & Wayne Thomas	Reported to the FA on 24 September 2018
10 Sept 2018	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
10 Sept 2018	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
10 Sept 2018	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer Contact Officer: Chris Barton/	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
			Geraint Thomas	
10 Sept 2018	Medium Term Financial Strategy Update; Reserves Strategy & Revenue & Capital Budget Setting Report	To Update Members on the MTFs to inform and influence the 2019/20 budget setting process to meet the Service's requirements for the following financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	Completed
12 Nov 2018	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
12 Nov 2018	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	Completed
12 Nov 2018	Revenue & Capital Budget Setting Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	Completed
12 Nov 2018	Electrical Fires	To advise Members on the WG electrical fires report and SWFRS response to this	DCO/ACFO SD Contact Officer: Wayne Thomas	Completed
3 Dec 2018	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer Contact Officer: Chris Barton/ Geraint Thomas	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
3 Dec 2018	Corporate (Operational) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO Contact Officer: Sarah Watkins	On agenda
3 Dec 2018	Revenue & Capital Budget Setting Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	On agenda
3 Dec 2018	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Sarah Watkins	On agenda
3 Dec 2018	Statement of Account Recommendations Update	To Update Members on progress against previous recommendations made by WAO in Statement of Accounts Reports	Treasurer Contact Officer: Geraint Thomas	On agenda
28 Jan 2019	Revenue & Capital Budget Setting (if required)	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer/DCO Contact Officer: Chris Barton/ Geraint Thomas	
28 Jan 2019	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year, and review Q3 progress against each of the statutory PI's	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
28 Jan 2019	Draft Annual Report of the Work of the FAPM Committee and the Discharge of the Terms of Reference of the Finance, Asset & Performance Management Scrutiny 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 Scrutiny Group & DCO Contact Officer: Sally Chapman	
28 April 2019	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
28 April 2019	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO Contact Officer: Geraint Thomas	
28 April 2019	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	
28 April 2019	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	
28 April 2019	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme	DCO	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		Actions	Contact Officer: Sarah Watkins	
28 April 2019	Scrutiny of Strategic Objectives	To scrutinise progress in relation to achieving the actions planned to address each issue	All Directors	
28 April 2019	Corporate (Operational) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO Contact Officer: Sarah Watkins	
28 April 2019	Register of Gifts and Hospitality	To advise Members of gifts and hospitality accepted and declined by Members and Officers during the year	DCO Contact Officer: Sally Chapman	

Sally Chapman - DCO
Dewi Rose - ACFO Service Delivery
Chris Barton - Treasurer

Geraint Thomas - Head of Finance & Procurement
Andrew Jones - Acting Head of Human Resources
Sarah Watkins - Acting Head of Business Support

AGENDA ITEM NO 12

**To consider any items of business that the Chairman deems urgent
(Part 1 or 2)**

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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:
 - FAPM Meeting held on 12 November 2018 3
5. Treasury Management Mid-Term Report 2018/19 7
6. Strategic Risk Register 2018-19 – Quarter 2 Review 23
7. Revenue Budget Report 2019/20 35
8. Report on Progress of Audit, Scheme and Circular Action Updates as at 30 September 2018 43
9. Audit of Financial Statements Report - Recommendations 59
10. Internal Audit Report 77
11. Forward Work Programme 113
12. To consider any items of business that the Chairman deems urgent (Part 1 or 2) 119

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