

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, 11 April 2022 at 1030 hours

**VENUE:** To be held on Star leaf, access code: 4534720141

**Please ensure you join the meeting 15 minutes prior to meeting time**

**Any issues please contact  
01443 232000 and ask for Member Services**

### **A G E N D A**

1. Apologies for Absence
2. Roll Call
3. 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.

4. Chairperson's Announcements
5. To Receive the Minutes of:
  - Finance, Audit & Performance Management Committee held on Monday 7 March 2022 3

### **REPORTS FOR DECISION**

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Signature of Proper Officer:



## **MEMBERSHIP**

### **Councillors:**

M	Colbran	Merthyr Tydfil
M	Spencer	Newport
P	Drake	Vale of Glamorgan
D	De'Ath	Cardiff
S	Evans	Torfaen
W	Hodgins	Blaenau Gwent
A	Hussey	Caerphilly
S	Morgans	Rhondda Cynon Taf
V	Smith	Monmouthshire
D	White	Bridgend

**SOUTH WALES FIRE & RESCUE AUTHORITY**  
**MINUTES OF THE FINANCE, AUDIT & PERFORMANCE**  
**MANAGEMENT MEETING**  
**HELD ON MONDAY 07 MARCH 2022 AT**  
**IN MEETING ROOM 8 OR REMOTELY VIA STARLEAF**

**103. PRESENT:**

<b>Councillor</b>	<b>Left</b>
S Evans (Chair)	Torfaen
D White (Deputy Chair)	Bridgend
M Colbran	Merthyr Tydfil
P Drake	Vale of Glamorgan
S Morgans	Rhondda Cynon Taff
V Smith	Monmouthshire
M Spencer	Newport

**APOLOGIES:**

A Hussey	Caerphilly
D De'Ath	Cardiff

**ABSENT:**

W Hodgins	Blaenau Gwent
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**OFFICERS PRESENT:-** Mrs S Watkins – Deputy Monitoring Officer, Mr C Barton – Treasurer, ACFO D Rose – Head of Service Delivery, Mrs L Mullan – T/Head of Finance, procurement & Property, Mr S Gourlay – TIAA Internal Auditor, Ms G Gillet – Audit Wales

**104. DECLARATIONS OF INTEREST**

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

The Chair declared an interest in Agenda item 9 which related to planning applications for New Inn Fire Station.

Councillor Morgans declared an interest in Agenda item 9 which related to properties within the Rhondda Cynon Taff Unitary Authority area.

**105. CHAIR'S ANNOUNCEMENTS**

There were no Chairs announcements.

## **106. MINUTES OF PREVIOUS MEETING**

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

- Finance, Asset & Performance Management Committee meeting held on 13 December, 2021
- Finance, Audit & Performance Management Scrutiny Group meeting held on 06 December, 2021

It was asked if there was clarification on what a Hose Inflation Kit was, ACFO Rose explained that it was used for water rescue and the hose could be inflated for people to use to float with and enabled then to be pulled back to land.

## **107. REPORTS FOR DECISION**

### **107.1 CIPFA FINANCIAL MANAGEMENT CODE**

The Treasurer presented the CIPFA Financial Management Code to Members advising that it is good practice in Financial Management as a response for Authorities to gain assurances. A self-assessment was completed on each of the 7 areas; Leadership, Accountability, Transparency, Standards, Assurance and Sustainability. There are some areas which the Authority could improve but it was identified that there were no non compliances.

The Budget Consultations is sent to each of the 10 UA's and this should be forwarded to all Unitary Members for information, not just Members of the Fire Authority. The Treasurer stated that they will look at how this is done going forward as the feedback has been that Members are not receiving details.

### **RESOLVED THAT**

The Committee confirmed adoption of the Code and noted the comments of the FAMP Scrutiny Group.

### **107.2 TREASURY MANAGEMENT STRATEGY 2022/23**

The Temporary Head of Finance, Procurement and Property presented the Authority's Treasury Management Strategy for 2022/23 and gave a comprehensive overview to members' for consideration.

It was asked that at present Interest rates are low but could rise and would monies be transferred to a higher interest rate account, the T/Head of Finance, Procurement and Property advised that they work with Link who regularly scan the market and consider all options available.

Members enquired whether what is happening in Ukraine and Russia could impact. It was reported that this could have a ripple effect but everything is done within the United Kingdom and there is no foreign borrowing or other.

It was asked if there could be an impact if there is a delay in Grant Funding from WG. The T/Head of Finance, Procurement and Property stated that if they do not receive Funding when expected there would be an issue but WG have now moved from releasing the monies in August to April in line with the financial year. There is an action plan in place that would mitigate any issues that could arise if delayed.

## **RESOLVED THAT**

Members noted the following and recommend for Fire Authority approval:

- The Treasury Management Strategy Statement (TMSS)
- Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy
- Borrowing Policy and Treasury Indicators / Limits
- Annual Investment Strategy (AIS)
- The Treasurer to update Strategies and Policies as necessary throughout the year.

## **107.3 REVENUE MONITORING REPORT 2021/22**

The T/Head of Finance, Procurement & Property presented the report detailing the Annual Revenue Budget and associated information for the year ending 31 March 2022, and an update of the major changes affecting the Revenue Budget since the last meeting held on 13 December 2021.

It was reported that the forecasted £2 million underspend comprises of a £826k underspend on employee budgets, £286k on non-employee budgets, £231k of additional income and a further £662k of grants since initial budget setting. This is an overall increase of £491k since previous reporting in December.

The Chair asked if Grant Funding could be effected by the underspend, it was advised that the indicators are that it would not.

Councillor Morgan's enquired around what are the third party payments for contractual services. It was advised that there were for legal and property advice and were difficult to predict year on year.

### **RESOLVED THAT**

Members noted and agreed the content of the report.

### **107.4 CAPITAL MONITORING REPORT 2021/22**

The T/Head of Finance, Procurement and Property presented the Capital Monitoring report which provides detail of the Capital Budget, transactions to date and the forecast year end position.

The T/Head of Finance, Procurement and Property gave a comprehensive update on expenditure for Property, VRP, Operational Equipment and ICT Equipment.

Councillor Smith asked if there was any indication why the site at New Inn didn't proceed. ACFO Rose reported that the CFO has written to the Board around lack of dialogue and is awaiting a reply.

### **RESOLVED THAT**

Members noted the budget and progress of the Capital Schemes, approved the alterations identified in appendix 1 and associated movements in funding.

### **108. REPORTS FOR INFORMATION**

#### **108.1 AUDIT ACTIONS REPORT – HEALTH CHECK 2021/22 – QUARTER 3**

The Deputy Monitoring Officer presented the report to Members advising that details presented were for the period up until the end of December 2021.

She stated that 13 actions were in date and 13 overdue.

Councillor Smith asked about the Assurance Review of Safeguarding which was red. ACFO Rose advised that this was a recently added strategic action and they were ready to progress now. A Safeguarding

Report will be presented at a future meeting giving an overview to Members.

## **RESOLVED THAT**

Members noted the Audit Actions Report Health Check for Quarter 3 2021/22.

### **108.2 BUSINESS PLAN ACTIONS REPORT – HEALTH CHECK 2021/22 – QUARTER 3**

The Deputy Monitoring Officer presented the report to Members advising that details presented were for the period up until the end of December 2021.

She advised that there were 8 strategic themes and 264 tasks in all of which the vast majority were green / amber and 12 red.

ACFO Rose went through the 7 strategic risk indicators for performance giving an update on each which are all continually reviewed.

The details for each Local Authority will be circulated to Members separately for information.

Cllr Smith asked if the fires reported in Monmouthshire were in any one particular area and that the number of road traffic collisions have increased considerably. ACFO Rose will ask the Group Manager for Monmouthshire to email Cllr Smith to discuss further outside of this meeting.

## **RESOLVED THAT**

Members noted the Business Plans Action Report – Quarter 3.

### **108.3 DEPARTMENTAL RISK REGISTER REPORT – HEALTH CHECK 2021/22 – QUARTER 3**

The Deputy Monitoring Officer presented the report to Members advising that these are separate to the strategic risks and have been identified by Heads of Departments and are reported to FAPM SG.

It was asked about crewing and training being in red. ACFO stated that this was the reported situation at the end of quarter 3 and that now coming out of restrictions numbers have changed. It was managed and supported at the time and has now changed to amber / green.

**RESOLVED THAT**

Members noted the Departmental Risk Register Report for quarter 3.

**108.4 REGISTER OF GIFTS AND HOSPITALITY 2021**

The Deputy Monitoring Officer presented the report that provides Members with an overview of the gifts and hospitality offered and accepted or declined that are recorded on the Hospitality and Gifts Register for 2021.

**RESOLVED THAT**

Members noted the contents of the Register of Gifts and Hospitality in line with Internal Audit recommendations.

**108.5 INTERNAL AUDIT PROGRESS REPORT AND AUDIT ACTION UPDATE**

The Internal Auditor presented a report which updated Members upon the progress being made against the Internal Audit Plan for 2021.

He went through the Assurance review of Core HR, Follow up Review, and Summary Internal Controls Assurance (SICA) with Members. The final report for 2021/22 will be presented at the next meeting in April.

**RESOLVED THAT**

Members noted the Internal Audit recommendations and work done to date on the Internal Audit Annual Plan 2021/22.

**108.6 FORWARD WORK PROGRAMME 2021/2022**

The Deputy monitoring Officer provided a brief overview of the Forward Work Programme for 2021/2022.

**RESOLVED THAT**

Members agreed to note the Forward Work Programme for 2021/2022.

**109. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIR DEEMS URGENT (PART 1 OR 2)**

There were no further items of business to consider that the Chair deemed urgent.

**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 6  
11 APRIL 2022

FINANCE AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMP ACO CORPORATE SERVICES

**INTERNAL AUDIT ANNUAL PLAN 2022/2023****THIS REPORT IS FOR DECISION**REPORT PRESENTED BY TEMP HEAD OF FINANCE & INTERNAL  
AUDITOR**SUMMARY**

This report details the proposed Internal Audit Annual Plan 2022/2023 for Members approval.

**RECOMMENDATION**

That Members approve the Internal Audit Annual Plan for 2022/2023.

**1. BACKGROUND**

- 1.1 As a requirement of the internal audit work of the Fire & Rescue Authority, it is necessary for Members of the Finance, Audit & Performance Management Committee to agree to an Internal Audit Annual Plan for the financial year.
- 1.2 Following a recent tender process, TIAA have been awarded the contract for internal audit services for an initial period of three years commencing on 1 April 2022. There is the option to extend the contract for a further two years following this.

**2. ISSUE**

- 2.1 Attached is Appendix 1, this is the proposed Internal Audit Annual Plan for 2022/2023 for Members consideration. The rationale for the plan is contained within the appended report.
- 2.2 To monitor progress against the internal audit annual plan, regular reports will be presented to this Committee outlining the audits undertaken, the status of reports and the recommendations being made by the internal auditors.

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

#### 3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	Yes
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

#### 3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

There are no currently no implications as a result of agreeing to the internal audit plan although these may arise in the areas identified by appendix 1 / A during the course of the individual audits.

### 4. EVALUATION & CONCLUSIONS

4.1 The work proposed to be undertaken by Internal Audit as part of the proposed Annual Plan 2022/2023 is budgeted within the annual revenue budget for 2022/2023.

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

## 5. RECOMMENDATION

5.1 That Members approve the Internal Audit Annual Plan for 2022/2023.

<b>Contact Officer:</b>	Lisa Mullan Temporary Head of Finance, procurement & Property
<b>Background Papers</b>	Appendix 1 – Internal Audit Annual Plan 2022/2023

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South Wales Fire and Rescue Service

Indicative Audit Strategy 2022/25 and Annual Plan 2022/23

2022/23

## APPENDIX 1



February 2022

DRAFT

## OVERVIEW

### Introduction

The Audit Plan for 2022/23 has been informed by a risk assessment carried out across our fire service clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

### Key Emerging Themes

This year will continue to be another challenging year for the fire service in terms of funding, managing additional recruitment and technological advancement. There are a number of operational issues that have also come to prominence; we have identified a number of key areas which require consideration when planning internal audit coverage.

**Equality, Diversity and Inclusion:** Increased focus on organisations to ensure that a diverse workforce representative of their communities is in place to allow effective communication and service delivery to all sectors of the community.

**Health and Well-being:** Increased attacks on Police and Fire Service personnel along with the effects of the prolonged pandemic restrictions and ways of working may incur additional and excessive staff absence with a degradation of service to the community.

**Fire Safety Act 2021:** The requirements of the introduction of the Act are not embedded into service planning and persons who live and work in high rise buildings may be at greater risk of being affected by fire.

**Cyber-crime:** A continuing theme and fire and rescue services need to take steps to assure themselves over the robustness of their overall arrangements. Cyber-crime has continued to increase in complexity and scale with fraudulent activity seeing a significant increase during the Covid-19 pandemic.

### Providing Assurance during the COVID-19 pandemic

From the outset, we successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

### Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the South Wales Fire and Rescue Service's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

# INTERNAL AUDIT PLAN

## Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2022/23, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the South Wales Fire and Rescue Service and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

## Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the South Wales Fire and Rescue Service. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused.

## Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Finance and Performance Management Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and South Wales Fire and Rescue Service. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where South Wales Fire and Rescue Service agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Service and will be clearly set out in the terms of reference for the additional review(s).

## Release of Report

The table below sets out the history of this plan.

<b>Date plan issued:</b>	2 <sup>nd</sup> February 2022
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## APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	Type	2022/23	2023/24	2024/25
<b>Governance</b>				
Collaboration – Co-location	Assurance	✓		
Sustainability	Assurance		✓	
Governance	Assurance			✓
Strategic Planning	Assurance			✓
<b>Risk</b>				
Risk Management – Mitigating Controls	Assurance	✓	✓	✓
<b>ICT</b>				
General Data Protection Regulation (GDPR)	Assurance	✓		
ICT Network Security	Assurance	✓		
O365 Implementation	Assurance		✓	
ICT Data Assurance	Assurance		✓	
ICT Strategy	Assurance			✓
ICT Cyber Security	Assurance			✓
<b>Finance</b>				
Key Financial Controls	Assurance	✓	✓	✓
Sustainable Procurement	Assurance	✓		
Payroll	Assurance	✓		
Contract Management	Assurance	✓		
Anti-Fraud	Compliance		✓	
Pensions	Compliance		✓	
Procurement Strategy	Assurance			✓

Review Area	Type	2022/23	2023/24	2024/25
<b>Workforce</b>				
Human Resources Management – Training	Assurance	✓		
Human Resources Management – Wellbeing	Assurance	✓		
Rosters	Assurance	✓		
Health and Safety Management	Assurance		✓	
Secondary Employment	Assurance			✓
Communications	Assurance			✓
<b>Estates and Fleet</b>				
Station Visits	Compliance	✓	✓	✓
Estates Strategy	Assurance		✓	
Fleet Strategy	Assurance		✓	
Fleet Management - Delivery	Assurance			✓
<b>Follow Up</b>				
Follow Up	Follow Up	✓	✓	✓
<b>Management and Planning</b>				
Annual Planning	Management	✓	✓	✓
Annual Report	Management	✓	✓	✓
Audit Management	Management	✓	✓	✓
<b>Total Days</b>		<b>70</b>	<b>70</b>	<b>70</b>

## APPENDIX B: ANNUAL PLAN – 2022/23

Quarter	Review	Type	Days	High-level Scope
1	Collaboration – Co-location	Assurance	6	The review considers the arrangements in place to manage to the co-location contracts and agreements in place to include allocation of responsibility and charging and payment arrangements. The Joint Control Room will be included within the agreements reviewed.
1	Rosters	Assurance	6	The review considers the effectiveness of the arrangements for scheduling and rostering across the Service.
1	Human Resources Management – Wellbeing	Assurance	6	The review considers the arrangements in place to ensure that the Service has an appropriate wellbeing framework in place to promote wellbeing, identify potential issues and provide appropriate support to staff including in relation to mental health. The review will consider how wellbeing is monitored and reported and how the effectiveness of actions being taken is determined. The review does not review absence management processes although data relating to absences will be considered.
2	Station Visits	Compliance	4	The review considers the arrangements for complying with the organisation's financial procedures at two whole-time stations and one retained duty system station. The sample will include stations that are co-located with other emergency services.
2	Payroll	Assurance	4	The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of travel, subsistence, and expenses; payment of allowances; pay awards; payment of salaries; and, arrangements for recovery of payroll overpayments. The scope of the review does not include determination of salary scales, severance payments or pension arrangements.
2	Contract Management	Assurance	6	The review considers the arrangements for managing contracts within the Service. The review considers the allocation of responsibility for managing contracts, relationship management and performance management, change management and payment approval arrangements.
2	General Data Protection Regulation (GDPR)	Assurance	4	<p>The review assesses compliance with the key UK General Data Protection Regulation (GDPR) elements of:</p> <ul style="list-style-type: none"> <li>• Privacy Impact Assessments;</li> <li>• Data Subject rights (e.g. Right to be forgotten);</li> <li>• Data Classification and Asset management;</li> <li>• Data Security &amp; Breach Management;</li> <li>• Governance &amp; Consent;</li> <li>• Data Controllers &amp; Processors.</li> </ul> <p>The review also considers the efficiency and effectiveness of the processes for dealing with requests for personal data under GDPR.</p>
3	ICT Network Security	Assurance	4	The review considers the arrangements for the physical and access security of hardware and software. The scope of the review does not include consideration of the merits of the types of hardware and software used, the access rights to the individual software; or the depreciation policies.

Quarter	Review	Type	Days	High-level Scope
3	Key Financial Controls	Assurance	4	<p>This review considers the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Service’s requirements:</p> <ul style="list-style-type: none"> <li>• Budgetary control;</li> <li>• General ledger;</li> <li>• Cash, banking &amp; treasury management;</li> <li>• Cash flow planning;</li> <li>• Income and debtors;</li> <li>• Payments including payment cards;</li> <li>• Security of assets.</li> </ul> <p>The review does not include payroll which is the subject of a separate audit.</p>
3	Risk Management – Mitigating Controls	Assurance	4	<p>The review assesses the quality and accuracy of the information provided to the Authority for providing assurance. Four risks will be selected from South Wales Fire and Rescue Service’s strategic risks and business plan risks and the effectiveness of the identified assurance will be reviewed. The scope of the review does not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.</p>
3	Human Resources Management – Training	Assurance	6	<p>The review considers the arrangements for: determining the training requirements; the monitoring arrangements; management information produced; and, governance and reporting arrangements.</p>
4	Sustainable Procurement	Assurance	4	<p>The review considers the arrangements in place to utilise procurement and supply chains to support social, economic and environmental change.</p>
4	Follow Up	Follow Up	2	<p>Follow-up of implementation actions from audit reports, ensuring South Wales Fire and Rescue Service in implementing recommendations, and providing reports to the Finance and Performance Management Committee.</p>
1	Annual Planning	Management	2	<p>Assessing the Fire Service’s annual audit needs.</p>
4	Annual Report	Management	1	<p>Reporting on the overall conclusions and opinion based on the year’s audits and other information and providing input to the Annual Governance Statement.</p>
1 – 4	Audit Management	Management	7	<p>This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Finance and Performance Management Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).</p>
<b>Total days</b>			<b>70</b>	

## APPENDIX C: INTERNAL AUDIT CHARTER

### The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within South Wales Fire and Rescue Service and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Finance and Performance Management Committee.

### The Role of Internal Audit

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

### Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

### Scope

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

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

### Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of South Wales Fire and Rescue Service and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

### Independence

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

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

### Conflict of Interest

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

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and South Wales Fire and Rescue Service's requirements.

### Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

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

### Limitations and Responsibility

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

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

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

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

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

**Liaison with the External Auditor**

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

**Reporting**

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA’s audit charter and PSIAS/IIA standards.

**Progress Reports:** Progress reports will be prepared for each Finance and Performance Management Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Follow-Up Reports:** We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA’s audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of South Wales Fire and Rescue Service’s governance, risk management and operational control processes based on the work completed during the year.

**Other Briefings:** During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

**Assurance Assessment Gradings**

We use four levels of assurance assessments as set out below.

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

**Data Protection**

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

**Quality Assurance**

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

**Finance and Performance Management Committee Responsibility**

It is the responsibility of the South Wales Fire and Rescue Service to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee’s requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Finance and Performance Management Committee is also approving the Internal Audit Charter.

**Disclaimer**

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work 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.

**Performance Standards**

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

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 7  
11 APRIL 2022

FINANCE AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TREASURER

**AUDIT WALES ENQUIRIES TO 'THOSE CHARGED WITH GOVERNANCE' –  
DRAFT RESPONSE****THIS REPORT IS FOR DECISION**

REPORT APPROVED BY THE TREASURER

PRESENTING OFFICER TEMPORARY HEAD OF FINANCE &  
PROCUREMENT LISA MULLAN**SUMMARY**

This report details a draft response to the Audit Wales paper on 'Those Charged with Governance' when approving financial statements.

**RECOMMENDATIONS**

That the Fire & Rescue Authority confirms its response to the Audit Wales questions, as detailed in Appendix 1 attached.

**1. BACKGROUND**

- 1.1 The Audit Wales (AW) has requested a response from the Fire & Rescue Authority to a series of questions based on the draft paper 'Audit Enquiries to those Charged with Governance'. Paragraphs 2.1 to 2.8 detail the rationale provided by the AW behind their enquiry.

**2. ISSUE**

- 2.1 Those charged with governance are accountable for the quality of the Authority's financial reporting. The respective responsibilities towards the financial statements are set out in the Statement of Responsibilities of Auditors and of Audit Bodies, which states that:

2.1.1 *"The financial statements, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the audited body to:*

- *put in place systems of internal control to ensure the regularity and lawfulness of transactions;*
- *maintain proper accounting records; and*
- *prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income and that are in accordance with applicable laws, regulations and accounting policies.”*

2.2 The responsibilities of the Authority in respect of the financial statements are also summarised as part of those statements in the Statement of Responsibilities for the Statement of Accounts. This is signed on the Authority’s behalf by the Treasurer.

2.3 The Statement of Responsibilities of Auditors and of Audited Bodies goes on to say that:

2.3.1 *“Auditors audit the financial statements and give their opinion, including:*

- *whether they give a true and fair view of the financial position of the audited body and its expenditure and income for the year in question; and*
- *whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.*

*In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.”*

2.4 The AW approach to enable them to give their opinion on the Authority’s financial statements is guided by the International Standards of Auditing (ISAs). A number of these ISAs require AW to make specific enquiries of those charged with governance.

2.5 This paper focuses on the requirement of four key ISAs:

- ISA 240 – auditor’s responsibility to consider fraud in an audit
- ISA 250 – consideration of laws and regulations in an audit of financial statements
- ISA 550 – a sufficient understanding of related party relationships and transactions to recognise fraud risk factors and if the financial statements are affected by those relationships.

2.6 The AW approach also takes into account the Auditing Practices Board Practice Note 10, Audit of Financial Statements of Public Sector Bodies in the UK (PN10).

- 2.7 The enquiry paper is structured by each of the above ISAs, briefly summarising the requirements, then setting out a series of questions to those charged with governance.
- 2.8 Towards the end of the audit, they will be asking that a Letter of Representation is provided. This letter will include reference to the consideration of a number of the issues contained in this paper, in addition to any specific assertions required as a result of the audit work carried out on the financial statements.

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

#### 3.2 Regulatory, Strategy and Policy

Legal	No
Financial	No
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

- 3.3 There are no financial implications arising directly from this report. However, the AW are seeking assurance that it can rely on the statements within the Letter of Representation in respect of all financial matters relating to fraud issue.

#### 4. RECOMMENDATION

- 4.1 That the Fire & Rescue Authority confirms its response to the Audit Wales questions, as detailed in Appendix 1 attached.

<b>Contact Officer:</b> Lisa Mullan T/Head of Finance, Procurement & Property	<b>Background Papers:</b> Audit Enquiries to those Charged with Governance
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S.151 Officer and the Chair of the Fire and Rescue Authority  
South Wales Fire and Rescue Authority  
Fire Service Headquarters  
Forest View Business Park  
Llantrisant  
CF72 8LX

**Reference:** SWFRA 2021-22/Audit Enq

**Date issued:** 4 February 2022

Dear Chris and Cllr Davies,

### **Audit enquiries to those charges with governance and management**

The Auditor General's Statement of Responsibilities sets out that he is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It also sets out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on our audit of your financial statements. These considerations are relevant to both the management of South Wales Fire and Rescue Authority and 'those charged with governance' (the Fire and Rescue Authority).

I have set out below the areas of governance on which I am seeking your views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

- communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
  3. How management gain assurance that all relevant laws and regulations have been complied with.
  4. Whether there is any potential litigation or claims that would affect the financial statements.
  5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Authority and its business processes and support our work in providing an audit opinion on your 2021-22 financial statements.

For ease of reference, I have attached the information that you provided for 2020-21 so far as practicable, and I would be grateful if you could update the attached table in [Appendix 1 to Appendix 3](#) for 2021-22 clearly indicating whether there have been any changes to the information provided last year, and if so what those changes are.

The completed [Appendix 1 to Appendix 3](#) should be formally considered and communicated to us on behalf of both management and those charged with governance by **30 April 2022**. In the meantime, if you have queries, please contact me on 02920 829305 or [gillian.gillett@audit.wales](mailto:gillian.gillett@audit.wales)

Yours sincerely



Gillian Gillett

Audit Manager

## Appendix 1

### Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for South Wales Fire and Rescue Authority is the Fire and Rescue Authority. Management, with the oversight of the Fire and Rescue Authority, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

### What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how the PASC exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

## Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p> <p><b>[For 2021-22 please set out how the COVID-19 pandemic has affected your risk assessment].</b></p>	<p>We consider the risk to be minimal and are not aware of any fraud that would impact materially on our financial statements. Robust internal controls, internal audit annual reviews including key financial controls and counter fraud policies exist to reduce risks in this area.</p> <p>Throughout the COVID pandemic the service has remained operational and responded to the challenges by creating a Critical Incident Team, with a specific command structure to manage every area of the service. Risks and control measures specific to COVID were developed and added to the corporate risk register and monitored on a monthly basis. With all departments operating at near full capacity albeit with remote working and rotas for attendance at HQ, existing controls and policies remain in place to maintain the stance that risks of misstatement to the financial statements be minimal.</p>	<p>We consider the risk to be minimal and are not aware of any fraud that would impact materially on our financial statements. Robust internal controls, internal audit process and annual reviews including key financial controls and counter fraud policies exist to reduce risks in this area.</p> <p>Throughout the COVID pandemic the service has remained operational and responded to the challenges by creating a Critical Incident Team (CIT), with a specific command structure to manage every area of the service. Risks and control measures specific to COVID were developed and added to the corporate risk register and monitored on a monthly basis. With all departments operating at near full capacity albeit with remote working and rotas for attendance at HQ, existing controls and policies remain in place to maintain the stance that risks of misstatement to the financial statements be minimal.</p>
<p>2. What processes are employed to identify and respond to the</p>	<p>Robust systems of internal controls exist and are tested through a programme of planned</p>	<p>Robust systems of internal controls exist and are tested through a programme of planned</p>

## Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
risks of fraud more generally and specific risks of misstatement in the financial statements?	internal audits each year. Financial regulations, Anti-Fraud Policy and procurement procedures provide an operating framework for all personnel. Personnel have previously completed a fraud awareness e-learning package. The controls in place have successfully identified previous cases of fraud and act as a deterrent.	internal audits each year. Financial regulations, Anti-Fraud and Whistleblowing Policies and procurement procedures provide an operating framework for all personnel. Personnel have previously completed a fraud awareness e-learning package and the sharing of potential fraud attempts is active bolster vigilance. These controls have successfully identified previous cases of fraud and act as a deterrent.
3. What arrangements are in place to report fraud issues and risks to the Fire and Rescue Authority?	The Anti-Fraud and Corruption policy, Whistle-blowing policy, fraud response plan and associated organisational procedures exist and provide the necessary reporting guidelines.	The Anti-Fraud and Corruption policy, Whistle-blowing policy, fraud response plan and associated organisational procedures exist and provide the necessary reporting guidelines.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	The senior management team through consultation with its middle managers has adopted a comprehensive set of values which have been disseminated to all staff with guidance on how these values should be exhibited. These values are supported by a comprehensive suite of policies and procedures which are constantly being reviewed through working groups and when	The senior management team through consultation with its middle managers has adopted a comprehensive set of values which have been disseminated to all staff with guidance on how these values should be exhibited. These values are supported by a comprehensive suite of policies and procedures which are constantly being reviewed through working groups and when

## Enquiries of management - in relation to fraud

Question	2020-21 Response	2021-22 Response
	finalised communicated to staff in various ways. A standards and expectations policy has been drafted through engagement with middle leaders which sets out the standards that all employees are expected to meet in a number of areas related to conduct and behaviour. This complements Appendix 5 of General Standing Orders which outlines Officers code of conduct, applicable to all staff.	finalised communicated to staff in various ways. A standards and expectations policy has been drafted through engagement with middle leaders which sets out the standards that all employees are expected to meet in a number of areas related to conduct and behaviour. This complements Appendix 5 of General Standing Orders which outlines Officers code of conduct, applicable to all staff.
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2021?	There have been no instances of actual or suspected fraud since 1st April 2020.	There have been no instances of actual or suspected fraud since 1st April 2021.
6. Are you aware of any fraud within the RCT Pension Fund (Service organisation) since 1 April 2021? [RCT are considered as a service organisation as they administer the FireFighters' Pension Scheme on behalf of the Fire Authority.]	We are not aware of any fraud within the RCT pension fund since 1st April 2020.	We are not aware of any fraud within the RCT pension fund since 1st April 2021.

## Enquiries of those charged with governance – in relation to fraud

Question	2020-21 Response	2021-22 Response
<p>1. How does the Performance, Audit and Fire and Rescue Authority exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>The FAPM committee undertakes this role on behalf of the Fire and Rescue Authority. The FAPM committee scrutinise the corporate risk register on which it receives quarterly reports. They also scrutinise internal audit reports to ensure risks are managed and controls are robust.</p>	<p>The FAPM committee undertakes this role on behalf of the Fire and Rescue Authority. The FAPM committee scrutinise the corporate risk register on which it receives quarterly reports. They also scrutinise internal audit reports to ensure risks are managed and controls are robust.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2021?</p>	<p>There have been no instances of actual or suspected fraud since April 2020</p>	<p>There have been no reported instances of actual or suspected fraud since April 2021.</p>

## Appendix 2

### Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance (the Fire and Rescue Authority), is responsible for ensuring that the South Wales Fire & Rescue Authority's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

### What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Fire and Rescue Authority as to whether South Wales Fire & Rescue Authority is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance, we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

## Enquiries of management – in relation to laws and regulations

Question	2020-21 Response	2021-22 Response
<p>1. How have you gained assurance that all relevant laws and regulations have been complied with?</p> <p><b>[For 2021-22 please set out the key changes to laws and regulations arising from the COVID-19 pandemic affecting the authority and how assurance was obtained about compliance].</b></p>	<p>The Deputy Chief Officer in her role as Director of Corporate Services and Monitoring Officer has a general advisory role to the Fire and Rescue Authority. As a qualified Solicitor she and the Head of Business Support are supported by a legal services officer and specialist external legal advisors. In his role as responsible financial officer (S112) the treasurer to the authority also ensures compliance with up to date regulations and guidance relating to the financial reporting. The treasurer is supported by three qualified accountants within the Finance Department.</p>	<p>The Monitoring Officer has a general advisory role to the Fire and Rescue Authority as well as serving as Director of Corporate Services. He and the Head of Corporate Support are supported by a legal Services officer and specialist external legal advisors.</p> <p>In his role as responsible financial officer (S112) the Treasurer to the authority also ensures compliance with up to date regulations and guidance relating to financial reporting. The Treasurer is supported by qualified and experienced finance team.</p> <p>As above, throughout the pandemic CIT have undertaken regular meetings to address applicable legal and regulatory changes and subsequently prepare the organisation to maintain compliance whilst ensuring service delivery.</p>

2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2021, or earlier with an ongoing impact on the 2021-22 financial statements?	Management are not aware of any non-compliance with relevant laws or regulations in 2020/21.	Management are not aware of any non-compliance with relevant laws or regulations in 2021/22.
3. Are there any potential litigations or claims that would affect the financial statements?	All litigations or claims are explicitly disclosed or recorded as contingent liabilities in the financial statements.	All litigations or claims are explicitly disclosed or recorded as contingent liabilities in the financial statements.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	Management are not aware of any such non-compliance.	Management are not aware of any such non-compliance.
5. Are you aware of any non-compliance with laws and regulations within RCT Pension Fund (service organisation) since 1 April 2021?	Management are not aware of any such non-compliance.	Management are not aware of any such non-compliance.

### Enquiries of those charged with governance – in relation to laws and regulations

Question	2020-21 Response	2021-22 Response
1. How does the Fire and Rescue Authority in its role as those charged with governance, obtain	The Fire and Rescue Authority adopts a system of sub committees and working groups together with designated lead	The Fire and Rescue Authority adopts a system of sub committees and working groups together with designated lead

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

assurance that all relevant laws and regulations have been complied with?	members for specific areas of work, through this framework members are able to effectively scrutinize the processes and actions taken to ensure compliance has taken place.	members for specific areas of work, through this framework members are able to effectively scrutinize the processes and actions taken to ensure compliance has taken place.
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	The Fire and Rescue Authority are not aware of any instances of non-compliance with laws or regulation in 2020/21.	The Fire and Rescue Authority are not aware of any instances of non-compliance with laws or regulation in 2020/21.

### Appendix 3

#### Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors' responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

#### What are we required to do?

Audit enquiries to those charges with governance and management. Please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

## Enquiries of management – in relation to related parties

Question	2020-21 Response	2021-22 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> <li>• the identity of any related parties, including changes from the prior period;</li> <li>• the nature of the relationships with these related parties;</li> <li>• details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions.</li> </ul>	<p>All appropriate accounting and disclosures in respect of related parties will be disclosed to the auditor and recorded within the relevant section of the annual statement of accounts.</p>	<p>All appropriate accounting and disclosures in respect of related parties will be disclosed to the auditor and recorded within the relevant section of the annual statement of accounts</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>An annual disclosure for the Statement of Accounts is required for all senior officers and any officer with budget responsibility to declare any related party transactions in accordance with IAS 24. Each year at the AGM members sign a declaration of interests which is also held on file.</p>	<p>An annual disclosure for the Statement of Accounts is required for all senior officers, any officer with budget responsibility in addition to Fire Authority members to declare any related party transactions in accordance with IAS 24. Each year at the AGM members sign a declaration of interests which is also held on file which is cross referenced for consistency.</p>

### Enquiries of those charged with governance – in relation to related parties

Question	2020-21 Response	2021-22 Response
<p>1. How does the Fire and Rescue Authority in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Through FAPM scrutiny, forward work programmes and Fire and Rescue Authority approval of the annual statement of accounts.</p>	<p>Through FAPM scrutiny, forward work programmes, Fire and Rescue Authority approval of the annual statement of accounts and audit of the same.</p>

**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 8  
11 APRIL 2022

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMPORARY DIRECTOR OF CORPORATE SERVICES

**AUDIT WALES CARBON EMISSIONS REDUCTION REPORT****THIS REPORT IS FOR DECISION**REPORT APPROVED BY TEMPORARY DIRECTOR OF CORPORATE  
SERVICESREPORT PRESENTED BY TEMPORARY DIRECTOR OF CORPORATE  
SERVICES**SUMMARY**

This report details the Audit Wales review of the Authority's infrastructure to become carbon neutral by 2030.

**RECOMMENDATIONS**

That Members note the content and accept the Audit Wales Carbon Emissions Reduction report.

**1. AUDIT WALES CARBON EMISSIONS REDUCTION REPORT**

1.1 The Carbon Emissions Reduction report attached at Appendix 1 to this report details the conclusions of the Audit Wales review of the Authority's progress in reducing its carbon emissions and its full contribution to Wales' public sector becoming carbon neutral by 2030.

1.2 The review took place during the period November 2021-January 2022.

**2. ISSUE**

2.1 The review determined that the Fire & Rescue Authority is creating the right infrastructure to become carbon neutral by 2030 but needs to deliver its ambitious targets and address some big risks:

- The Authority is establishing a more accurate baseline position on all its carbon emissions and is planning to address known gaps.

- The Authority's plans are broadly focused on the right things but need to be tightened in some areas to better support delivery.
- The Authority is making progress but will need to address some significant challenges if it is to become carbon neutral by 2030.
- Many planned actions to reduce carbon emissions are yet to be delivered and some targets are not aligned with Welsh Government goals.

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	Yes
Socio Economic Duty	Yes
Sustainability/Environment/Carbon Reduction	Yes
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

#### 3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	No
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

#### 3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

### 4. RECOMMENDATION

- 4.1 That Members note the content and accept the Audit Wales Carbon Emissions Reduction report.

<b>Contact Officer:</b>	T/ACO Geraint Thomas Director of Corporate Services
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<b>Background Papers:</b>	<b>Date</b>	<b>Source/Contact</b>
None		

<b>Appendices:</b>	
Appendix 1	Audit Wales Carbon Emissions Reduction Report

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## Carbon Emissions Reduction – South Wales Fire and Rescue Authority

Audit year: 2021-22

Date issued: February 2022

Document reference: 2834A2022

This document has been prepared for the internal use of South Wales Fire and Rescue Authority as part of work performed/to be performed in accordance with Section 15 of the Well-being of Future Generations Act (Wales) 2015.

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

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# Summary report

## Summary

### What we reviewed and why

- 1 Human behaviour is a major contributing factor to the long-term shift in average weather patterns. Widely recognised as humanity’s biggest challenge, addressing climate change requires individuals, communities, organisations, regions and countries to all play their part. The Paris Agreement, a legally binding treaty on climate change, was adopted in 2015 by 196 parties (including the UK) and reflects international commitment to achieve the economic and social transformation required to reduce greenhouse gas emissions<sup>1</sup>.
- 2 In Wales, our legislative framework to reduce greenhouse gas emissions was strengthened through the Environment (Wales) Act 2016. The Act sets a legal target of reducing emissions by 95% by 2050 and sets out a system of five-yearly carbon budgets and interim objectives to progress towards this<sup>2</sup>. As part of this, the Welsh Government has committed to achieving a carbon neutral public sector by 2030, and its climate emergency declaration in 2019 reaffirmed its ambition of increasing the pace of change towards a low carbon economy.
- 3 The Well-being of Future Generations (Wales) Act 2015 is key to how Welsh public bodies are addressing these challenges, including climate change. By implementing the sustainable development principle and contributing to the national wellbeing goal of a Globally Responsible Wales, South Wales Fire and Rescue Authority (the Authority) can demonstrate its role in responding to the climate emergency.

### What we found

- 4 We undertook the review during the period November 2021 to January 2022. Our review sought to answer the question: Is the Authority making good progress in reducing its carbon emissions and fully contributing to Wales’s public sector becoming carbon neutral by 2030? Overall we found that: **The Authority is creating the right infrastructure to become carbon neutral by 2030, but needs to deliver its ambitious targets and address some big risks.**
- 5 We reached this conclusion because:
  - the Authority is establishing a more accurate baseline position on all its carbon emissions and is planning to address known gaps;
  - the Authority’s plans are broadly focused on the right things, but need to be tightened in some areas to better support delivery;

<sup>1</sup> [The Paris Agreement, United Nations Climate Change](#)

<sup>2</sup> [Wales’ commitment to tackling climate change, Welsh Government](#)

- the Authority is making progress but will need to address some significant challenges if it is to become carbon neutral by 2030; and
- many planned actions to reduce carbon emissions are yet to be delivered and some targets are not aligned with Welsh Government goals.

## Recommendations

6 The table below sets out the recommendations that we have identified following this review.

### Exhibit 1: recommendations that we have identified following this review

Recommendations	
R1	<p>Improve the quality of the carbon baseline by:</p> <ul style="list-style-type: none"> <li>• updating the carbon baseline drawing data from 2021-22;</li> <li>• ensuring gaps in information in respect of water metering, the impact of carbon offset work and data on buildings are captured;</li> <li>• ensure the impact of the pandemic and the switch to more home and agile working are reflected in the carbon baseline; and</li> <li>• ensuring all 'Scope 3' emissions are recorded and added to the carbon baseline.</li> </ul>
R2	<p>Review the actions in the Carbon Reduction and Biodiversity and Ecosystems Resilience Forward plans to ensure they are SMART and are focussed on the key risks and challenges facing the Authority.</p>
R3	<p>Revise the Vehicle Replacement Programme policy and agree the Authority's strategy for replacing diesel appliances and improving the charging infrastructure across the force area. As part of this process the Authority should:</p> <ul style="list-style-type: none"> <li>• review the notional lifespan of electric and hybrid vehicles to better inform future planning assumptions;</li> <li>• review current capital spending on fleet replacement and electric charging infrastructure to ensure the Authority has sufficient funding set aside to support the transition to a low carbon fleet; and</li> <li>• identify opportunities and introduce reciprocal agreements to access and make the best use of electric charging points owned by the public sector across the South Wales area.</li> </ul>

## Recommendations

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R4 Engage and involve staff in planning for carbon emissions reduction to ensure they take ownership of the Authority's plans for improvement and are fully contributing to delivery of key actions.

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R5 Strengthen how progress in delivering actions to reduce carbon emissions and delivery against Welsh Government targets is progressing and resulting in improvement by:

- regularly reviewing performance against planned actions and the carbon baseline;
- comparing performance with others to benchmark and identify opportunities to support improvement; and reporting on the baseline; and
- revising targets for carbon emissions reduction to align with Welsh Government goals.

## Detailed report

The Authority is creating the right infrastructure to become carbon neutral by 2030, but needs to deliver its ambitious targets and address some big risks

The Authority is establishing a more accurate baseline position on all its carbon emissions and is planning to address known gaps

- 7 A carbon baseline is an inventory of sources of carbon emissions from business activities. This is typically one (or more) year's snapshot that serves as a reference point for organisations to understand and track their changing emissions over time. In order to plan and budget for reducing carbon emissions and becoming carbon neutral, public bodies need to confidently understand the extent of their emissions by developing and keeping up to date a carbon baseline. This will then be used as a foundation for a carbon roadmap which can show the pathways that are available to practically meet Welsh Government targets.
- 8 The Authority has developed a baseline that captures some key information related to activity relating to emission of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases (measured in carbon dioxide equivalents or CO<sub>2</sub>e). For instance, the Authority reported in 2018-19 that its fleet produced 2,655 tonnes of CO<sub>2</sub>e; energy consumption contributed 1,848 tonnes of CO<sub>2</sub>e; the procurement supply chain 5,283 tonnes of CO<sub>2</sub>e; and business mileage 154 tonnes of CO<sub>2</sub>e. In addition, the Authority estimated that the annual cost of energy for buildings is £457,247. This is a good starting point for the Authority to build on, but there are some areas for improvement.
- 9 At the time of our fieldwork there has been no update since 2018-19 and the current baseline does not reflect where performance stands today, something the Authority has acknowledged and is a priority for improvement. While most data to measure carbon emissions is collated, there are also some gaps. For instance, water metering and measuring and capturing offsetting activity.
- 10 Currently, the Authority records Scope 1, 2 and 3 emissions data, but needs to extend its reporting and evaluation to cover all potential Scope 3 emissions. The Carbon Trust<sup>3</sup> categorises emissions into three categories or 'Scopes', defined as:
  - **Scope 1** – covers direct emissions from owned or controlled sources such as fuel combustion and emissions from fleet;
  - **Scope 2** – covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the Authority; and

<sup>3</sup> <https://www.carbontrust.com/resources/briefing-what-are-scope-3-emissions>

- **Scope 3** – includes all other indirect emissions that occur in the Authority’s procurement, supply and value chain. This would cover, for instance, purchased goods and services, business travel, employee commuting, waste disposal, use of sold products and investments.
- 11 The importance of addressing the purchased goods and services element of Scope 3 is underlined by research that shows that these can account for around 60% of an organisations total CO<sub>2</sub>e footprint<sup>4</sup>. We found that some Scope 3 emissions are not included in the current baseline. For instance, CO<sub>2</sub>e for some estate facilities such as the training facility built under a Private Finance Initiative (PFI) in Cardiff Gate and employee commuting. These are common challenges across the Welsh public sector.
- 12 Consequently, updating and creating a more accurate baseline is a priority for the recently appointed Sustainability Officer who is responsible for coordinating the Authority’s carbon emissions reduction work. The Authority uses the Carbon Trust [Carbon Footprint Calculator](#) to record CO<sub>2</sub>e data<sup>5</sup>. The Welsh Government has produced a [Public Sector Route Map](#) for decarbonisation. The Welsh Government also introduced in the Autumn of 2021 a carbon data capture tool to accompany the Route Map. Feedback from our audits highlights that this is onerous and complicated to complete. The Authority sees this as an optional and helpful framework to support its work, but not a mandatory requirement to fully comply with.

## The Authority’s plans are broadly focused on the right things, but need to be tightened in some areas to better support delivery

- 13 The Authority adopted a three-year [Carbon Reduction Plan 2020-23](#) and a Biodiversity and Ecosystems Resilience Plan<sup>6</sup>. We found that there is a clear link between these plans and wider strategies and policies such as the Authority’s [Strategic Plan 2020-30](#). The Carbon Reduction Plan 2020-23 has four areas of focus:
- reduce usage of single use materials;
  - explore the use of electric vehicles;
  - reduce energy use and our carbon footprint; and
  - consider how activities impact on the environment.

<sup>4</sup> [Welsh Procurement Policy Note WPPN 12/21: Decarbonisation through procurement – Addressing CO<sub>2</sub>e in supply chains](#), Welsh Government, December 2021.

<sup>5</sup> The Carbon Trust Standard is a certification scheme. Applicants are awarded certification if they meet three sets of criteria relating to carbon measurement, carbon reduction and effectiveness in managing emissions.

<sup>6</sup> In line with [Section 6 of the Environment \(Wales\) Act 2016](#), the Authority is required to plan and report on its actions to improve biodiversity within its estate.

- 14 The Carbon Reduction Plan 2020-23 has been assessed to determine its impact on equalities, diversity and inclusion, including the Welsh language, and is focussed on the right things; the operational areas which are the highest carbon emitters and/or offer the greatest opportunities to reduce emissions. These are:
- **Procurement** – reducing carbon emissions when buying goods and services;
  - **Buildings and estate** – the authority manages 47 stations and three other buildings (its headquarters, a Training facility and an Occupational Health unit);
  - **Mobility and transport** – covering fleet, business travel and staff commuting – the Authority owns 408 vehicles;
  - **Land use** – carbon offsetting<sup>7</sup> and promoting environmental and biodiversity initiatives; and
  - **Operational and partnership working** – using the Authority's wider influence to encourage others and its own staff to reduce carbon emissions but in ways that enhance and maintain people's wellbeing.
- 15 For 2020-21, the Authority prioritised 76 specific actions under the Carbon Reduction and Biodiversity and Ecosystems Resilience Forward plans. Our review actions highlight that many are not SMART<sup>8</sup>, prioritised or costed and read like a long wish list. For example, a lot of supporting actions include the phrases 'consider', 'explore', 'develop' and 'calculate' and are not focused on delivering specific actions. It has focussed activities in the right areas, but tightening and setting clear actions will support both officers to deliver improvement and members to oversee and scrutinise performance.
- 16 The engagement of employees in energy and carbon saving is an effective way to motivate staff and successfully achieve the Authority's environmental goals. We found that while staff have a broad understanding of the challenges that need to be addressed in how estates, fleet and energy usage contribute to CO<sub>2</sub>e, the majority of those who responded to our survey (62.6%) did not know the Authority's starting point for reducing carbon emissions and whether the Authority had an accurate baseline.
- 17 Only 28.2% of those members of staff responding to our survey strongly agreed or agreed that the Authority is measuring progress to reduce carbon emissions. Roughly a fifth (19.6%) believe that the Authority will meet Welsh Government targets, but the vast majority (63.2%) did not know. Finally, only 36.2% were aware of the targets that had been set to reduce carbon emissions. This highlights that

<sup>7</sup> Carbon offsetting comes from projects that reduce the amount of greenhouse gases entering the atmosphere. They must lead to real reductions or sequestration of carbon, which needs to be measured and quantified. To ensure the validity of the projects they must meet rigorous conditions.

<sup>8</sup> SMART goals stands for Specific, Measurable, Achievable, Relevant, and Time-Bound. Defining these parameters as they relate to a target helps ensure that delivery of objectives are attainable within a clear time frame.

there is more work for the Authority to do to effectively communicate why carbon emissions reduction is important and the vital contribution individuals can make to helping to promote, lead and deliver the Authority's responsibilities.

- 18 The Authority has also appointed a Member Environmental Champion who has a broad understanding of the carbon emissions reduction agenda. This is a relatively recent appointment, and the Member Champion is developing his knowledge and understanding to ensure he is able to deliver this role.

### **The Authority is making progress but will need to address some significant challenges if it is to become carbon neutral by 2030**

- 19 The Authority is doing some good preventative work to deliver carbon neutrality. For instance, the Authority delivers services from 50 buildings and has carried out some physical improvements to reduce carbon emissions in its estate such as the installation of energy efficient and low carbon producing lighting in most buildings; new drying room technology; completed a programme of boiler replacements to remove outdated and inefficient systems; and linked appliance bay doors to heating controls to automatically switch off when doors are open. There is no plan to rationalise the estate; rather the focus is on co-locating with other emergency services and many of the Authority's buildings are considered by senior managers to lend themselves well to co-location.
- 20 The world of fleet has never seen such a period of change and reducing CO<sub>2</sub> emissions from the Authority's fleet is a big priority. We found that 21 electric non-operational support vehicles are now in use and priority is being given to encouraging take-up of electrical cars when leases are renewed. At the time of our review 20% of the white fleet was fully electric or hybrid.
- 21 While this demonstrates the Authority's commitment to reduce emissions from fleet, some significant risks remain, particularly around heavy vehicles, which make up the majority of frontline fire appliances. Due to their specialist nature they have long life policies and are more challenging to decarbonise. Switching to alternative models, while theoretically feasible in some locations, has to be balanced with the potential impact on operational capability. It is not always appropriate to move to smaller vehicles if this impinges on the Authority's ability to respond to an emergency.
- 22 The Authority adopted a Sustainable Procurement Policy in 2020 which highlights the challenge of modernising its fleet to become carbon neutral. For instance, officers notified us that there are currently only two electric appliances on the market, but they cost in the region of £600,000 per vehicle. The most recent tenders under the Authority's Vehicle Replacement Programme resulted in the Authority spending roughly £299,000 to upgrade each diesel appliance.
- 23 In addition to having to spend twice as much replacing diesel vehicles with electric ones, there is also a likelihood that electric vehicles will need to be replaced more frequently, and the notional 15-year lifespan of a diesel appliance will need to be

reduced in future planning assumptions. This means that the Authority will need to invest more money to replace electric vehicles more frequently in the future.

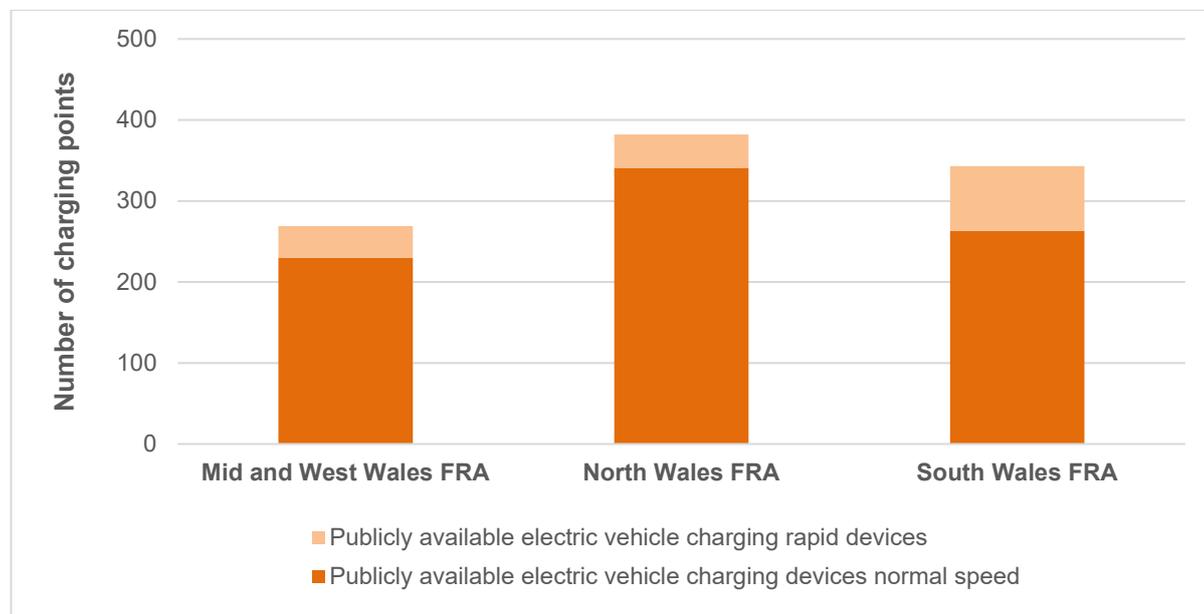
Replacing vehicles more frequently will also have a detrimental impact on Scope 3 emissions because of increased carbon emissions in the manufacturing process.

Hydrogen vehicles, which could offer a workable solution, are in development but are not considered a realistic option at present.

- 24 To fully realise the potential of electric fleet will also require adequate charging infrastructure across the Authority's area of operation. It is essential that there is a comprehensive and competitive electric-vehicle charging network in place. If the charging network is perceived as inadequate, then this will be a major barrier to electric vehicle take-up by all public bodies. The scale of the shift to electric vehicles should not be underestimated. While it is difficult to know precisely how much charging will be needed, UK Government forecasts<sup>9</sup> suggest that at least ten times more charge points will be needed by 2030 than currently exist.
- 25 To support this transition requires the Authority to work in partnership with other public sector bodies in its area of operation to make full use of the current charging infrastructure. We found that progress on this has been limited to date and much work remains to progress this matter. For instance, the Authority participated in pre-COVID19 discussions with public bodies in Gwent on working collectively to maximise the potential for charging infrastructure, but this has since ground to a halt as partners prioritised responding to the pandemic. Work is also underway in the wider Cardiff City region to explore the benefits of the public sector collectively making better use of the charging infrastructure.
- 26 The Authority has introduced 22 electric charging points at its headquarters building and is rolling out six charging points at strategic stations with an aim of doubling this number by March 2023. Since our fieldwork the Authority has also received grant funding from the Welsh Government to install 12 charging points at its Cardiff Gate training centre before the end of March 2022. This is a good starting point but much more work is needed to encourage a growth in the use of electric vehicles. ONS data shows that in October 2021 across the South Wales region there are 332 publicly available electric vehicle charging devices (all speeds), of which 80 are rapid charging units – **Exhibit 2**.

<sup>9</sup> <https://www.gov.uk/government/publications/electric-vehicle-charging-market-study-final-report/final-report>

**Exhibit 2 – publicly available electric-vehicle charging points by Welsh Fire and Rescue Authority area in October 2021**



Source: ONS, Electric vehicle charging device statistics: October 2021

- 27 Given these challenges it is unsurprising therefore that our survey of staff found that the main barrier to becoming carbon neutral is the cost of investment required in infrastructure, vehicles, offices and stations. We conclude that the Authority is steadily shifting to a low carbon fleet, but without significant investment in charging infrastructure and development of alternatives to diesel appliances, this will be impossible to deliver.
- 28 While avoiding and reducing emissions remains the Authority's priority, the ability to achieve Net Zero by 2030 will be extremely difficult without a form of offsetting due to the scale of technology and investment required. Carbon offset schemes allow public bodies to invest in environmental projects in order to balance out their own carbon footprints. The projects are most commonly designed to reduce future emissions and soaking up CO<sub>2</sub>e directly from the air through the planting of trees and other biodiversity projects. Some organisations offset their entire carbon footprint while others aim to neutralise the impact of a specific activity.
- 29 Offsetting is growing in importance and there are some positive examples of how the Authority is seeking to maximise these opportunities. A number of initiatives have been rolled out including the development of 'wellbeing gardens' at its Maesteg and Ely fire stations; the creation of beehives at the Ebbw Vale Station; 'rainwater harvesting' to collect, filter and store rainwater in several fire stations;

the inclusion of a 'green roof' at the Hirwaun station<sup>10</sup>; and ongoing work with several organisations to plant trees across the South Wales region. Unfortunately, the Authority is not able to demonstrate the impact of these initiatives on its carbon footprint in its baseline at this time.

- 30 Changing how organisations work, consume products and services that come from natural resources, can measurably reduce CO<sub>2</sub>e. We found that the Authority has focused on some good initiatives to both change behaviours but also the way it delivers services. The Authority has a long history of upcycling materials and equipment – most notably as part of [Operation Florian](#) where the Authority has donated vehicles, equipment, supplies and expertise to help services in less well-off countries.
- 31 The Authority has also introduced a number of initiatives to reduce single-use plastics providing staff with refillable aluminium water bottles. The shift to home working brought on by the pandemic also helped the Authority reduce carbon emissions, although the long-term impact of this has not been worked through. It is also, to an extent, increasing carbon emissions resulting from staff working from home which are not being captured or measured at all. The Authority has also signed up to a number of active travel charters and is committed to facilitating more sustainable travel.
- 32 The engagement of employees into energy and carbon saving is an effective way to motivate staff and successfully achieve environmental goals. By taking a strategic approach to engagement, public bodies can establish shared ownership of carbon and energy targets and ensure that leaders are held to account. And a robust and clear sustainability strategy will have employee engagement at its core.
- 33 Our survey of staff found that the Authority needs to do more to engage with its workforce. For example, three of the five main barriers identified by staff to help become carbon neutral relate to their lack of awareness of plans within services; a lack of staff involvement and limited opportunities to contribute ideas; and a limited understanding of the Authority's carbon emissions reduction work more generally.

### **Many planned actions to reduce carbon emissions are yet to be delivered and some targets are not aligned with Welsh Government goals**

- 34 The Authority reports performance quarterly to its Finance, Audit and Performance Management Committee against its Business Plan Action Strategic Health Check report. This is an ambitious programme of change and, while both plans have been subject to monitoring, many of the targets set have not been completed and there remains much work for the Authority to do to deliver its ambitious programme of change.

<sup>10</sup> A green roof consists of a drainage layer with 'filterfleece', extensive roof garden substrate, and a vegetation blanket to create a natural habitat for flora and fauna which can aid biodiversity encouraging a wider spread of species in the area.

- 35 For example, at its meeting of July 2021, the Authority most recently reported on its annual performance against both plans. This highlighted that of the 26 actions under the Carbon Reduction Plan set for delivery in 2020-21, 23 are in progress, two have been completed and one has not started. With regard to the Biodiversity and Ecosystems Resilience Forward Plan, the Authority has set itself six objectives and adopted 49 actions. As of July 2021, 37 were in progress, eight were to be confirmed, four were yet to be started and only two were complete.
- 36 In addition, the annual monitoring report on performance lacks key data to judge progress against the CO<sub>2</sub>e targets set. It is therefore difficult to evaluate whether the Authority's performance is good or bad. There is no evidence to show how the Authority compares its performance with others and, because actions are not SMART, the narrative of performance over the year does not enable a full and accurate understanding of impact to be drawn.
- 37 With regard to the Authority's targets for reducing CO<sub>2</sub> emissions, we found that these are lower than the ones set for the public sector by the Welsh Government. For example, the Authority has adopted a target to reduce carbon emissions by 50% by 2030, which is below the Welsh Government target of 58%. Similarly, the Authority set targets of reducing carbon emissions by 65% by 2040 and 80% by 2050. The targets set by the Welsh Government for these periods are 80% and 95% respectively.

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 9  
11 APRIL 2022

FINANCE AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMP ACO CORPORATE SERVICES

**INTERNAL AUDIT PROGRESS REPORT & AUDIT ACTION UPDATE****THIS REPORT IS FOR INFORMATION**REPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &  
PROPERTY**SUMMARY**

This report updates Members upon progress being made against the Internal Audit Plan 2021/2022.

**RECOMMENDATIONS**

Members are asked to note internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2021/2022.

**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 2021/2022, which was approved by the FAPM Committee on 15 March, 2021.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assure will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

**2. ISSUES**

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with 3 final report being issued:-
  - **Equality & Diversity**
  - **Death In Service Benefit Scheme**
  - **Key Financial Controls**

The Summary Internal Audit Progress Report written by TIAA limited is attached as Appendix 3.

## 2.2 Equality & Diversity

2.2.1 The review considered the arrangements that South Wales Fire and Rescue Service has put into place which demonstrate that the organisation operates fairly and equally in its operations in relation to both staff and stakeholders.

2.2.2 The Service has good arrangements in place which demonstrate that they operate fairly and equally including a Strategic Equality Plan which sets out the proposed work in this area and publishes an Annual Equality Report which demonstrates what has been achieved.

2.2.3 No priority 1 or 2 recommendations have been raised during the review.

## 2.3 Death in Service Benefit Scheme

2.3.1 The review considered the arrangements in place to administer the Death in Service Benefit Scheme for Employees, including the following areas: Joining and leaving the scheme including termination of employment; Payment processes including the accuracy and timeliness of payments to nominees; Accuracy and timeliness of payroll deductions.

2.3.2 Procedures and templates for key forms in relation to the Death in Service Scheme were documented and current.

2.3.3 A potential duplication of efforts was identified in maintaining a spreadsheet of scheme members, which may give rise to human error when calculating payments. Such details were also held on CoreHR

2.3.4 The Executive Leadership Team was being made aware of any activation of the scheme, as is considered best practice

## 2.4 Key Financial Controls

2.4.1 The review considered the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Association's requirements: Budgetary control; General ledger; Cash, banking & treasury management; Cash flow planning; Income & debtors; Payments; Payroll; Security of assets.

2.4.2 The Authority has clearly defined controls in place to support the function of the key financial control processes reviewed during the audit and these are complied with in practice.

2.4.3 A recommendation that was raised in the February 2021 Key Financial Controls review remains outstanding. The Priority 2 recommendation relates to the review of the Financial Procedure Rules which has not yet been completed; the level of assurance has remained the same as the previous report because of this. However, it is noted that no compliance issues were identified during sample testing undertaken as part of this audit.

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

#### 3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	Yes
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

#### 3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

#### 4. EVALUATION & CONCLUSIONS

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

#### 5. RECOMMENDATIONS

- 5.1 Members are asked to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2021/2022.

<b>Contact Officer:</b>	ACO Geraint Thomas
<b>Background Papers</b>	Appendix 1 – Summary report Equality & Diversity Appendix 2 – Summary report Death In Service Benefit Scheme Appendix 3 – Summary report Key Financial Controls Appendix 4 – SICA report



## South Wales Fire and Rescue Service

Assurance Review of Equality and Diversity

2021/22

February 2022

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

South Wales Fire and Rescue service does not reflect the communities it serves'.

### SCOPE

The review considered the arrangements that South Wales Fire and Rescue Service has put into place which demonstrate that the organisation operates fairly and equally in its operations in relation to both staff and stakeholders. The scope of the review did not include providing assurance that the application of equal opportunities covers all the activities of the organisation or that the arrangements identified by the organisation are operating continuously and effectively.

### KEY STRATEGIC FINDINGS



The Service has good arrangements in place which demonstrate that they operate fairly and equally including a Strategic Equality Plan which sets out the proposed work in this area and publishes an Annual Equality Report which demonstrates what has been achieved.



No priority 1 or 2 recommendations have been raised during the review.

### GOOD PRACTICE IDENTIFIED



Clear and comprehensive documents have been compiled to assist in the transition from Equality Impact Assessments to Integrated Assessments.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	2	1

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	A review of the Risk Register highlighted that the controls in place for Risk ID 210 Equality and Diversity had changed and needed to be updated. The Inclusivity Group has been renamed to the Inclusive Workforce Group and this was not reflected on the Risk Register.	The controls for Risk ID 210 Equality and Diversity be updated to reflect the change in name of the Inclusivity Group to the Inclusive Workforce Group.	3	<i>This has been requested of the BMIS team and is in their queue for actioning</i>	31/03/22	Kevin Rudge BMIS Team
2	Delivery	Each year the Service publishes an Annual Equality report. Discussions confirmed that the deadline for publishing the 2020/21 report is 31 <sup>st</sup> March 2022. The report is being compiled and a draft version was provided at the time of the audit.	The Annual Equality Report for 2020/21 be reviewed, approved and published as planned.	3	<i>There are no barriers to ensuring the 20/21 report will be published ahead of the legal deadline.</i>	31/03/22	Carey Wood E&D Officer

PRIORITY GRADINGS

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

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

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

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	A review of the Service's website highlighted a number of organisations that the Service engages with including organisations like Stonewall, Age Cymru and Mind Cymru. However, no reference to the Service being a Disability Confident Employer could be found.	Consideration be given to adding the Disability Confident Employer status to the website.	<i>This action has already been sent to the website team and is in their job queue.</i>

### ADVISORY NOTE

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

## Executive Summary

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

There were no strategic risks recorded in relation to the Death in Service Scheme at the time of review.

**KEY STRATEGIC FINDINGS**

- Procedures and templates for key forms in relation to the Death in Service Scheme were documented and current.
- A potential duplication of efforts was identified in maintaining a spreadsheet of scheme members, which may give rise to human error when calculating payments. Such details were also held on CoreHR
- The Executive Leadership Team was being made aware of any activation of the scheme, as is considered best practice.

**GOOD PRACTICE IDENTIFIED**

- Upon a death in service, donations were paid to nominees without delay with the funds being recovered via salary deductions at the earliest opportunity. This was to ensure nominees receive the support provided as soon as possible.

**SCOPE**

The review considered the arrangements in place to administer the Death in Service Benefit Scheme for Employees, including the following areas: Joining and leaving the scheme including upon termination of employment; Payment processes including the accuracy and timeliness of payments to nominees; Accuracy and timeliness of payroll deductions.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	1	0	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The total paid out to nominees for the three deaths in service considered as part of the review was £30,990 with the report of salary deductions totalling £30,810 (difference of £180). It was confirmed by the Payroll manager that £15 of this difference was accounted for and that the remaining £165 was to be at a cost to the organisation due to an administrative error. Upon further discussion with the Pensions Liaison Officer it was identified that the cause of this error was due to the spreadsheet used as a log of scheme members, being manually maintained, and used as a basis for the calculation (number of members @ £15 each). As the	A decision be made on whether maintaining the Death in Service spreadsheet causes a duplication of efforts that may increase the risk of human error being made in relation to calculating Death in Service Scheme donations.	2	<i>The spreadsheet that the Service used prior to the Core solution being available has been maintained to provide a form of reassurance. However, it is acknowledged that this can increase risk, together with duplication of effort. The department will now delete the spreadsheet and ensure that the Core records are the basis of any future record keeping.</i>	31/03/22	Julia Thompson (Pension Liaison Officer)

### 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)
		CoreHR system holds live data, and the spreadsheet requires continual monitoring and updating manually, it was agreed that a decision needs to be made on the benefits gained from maintaining the spreadsheet going forward.					

PRIORITY GRADINGS

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

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

### PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
----------	---------------	--

<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
----------	----------------	--

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Poor or ineffective financial control may result in budget estimates not being met, inappropriate payments being made or income due not being collected in full or in a timely manner.

### SCOPE

The review considered the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Association’s requirements: Budgetary control; General ledger; Cash, banking & treasury management; Cash flow planning; Income & debtors; Payments; Payroll; Security of assets. The review did not include payment cards which are the subject of a separate audit.

### KEY STRATEGIC FINDINGS



The Authority has clearly defined controls in place to support the function of the key financial control processes reviewed during the audit and these are complied with in practice.



A recommendation that was raised in the February 2021 Key Financial Controls review remains outstanding. The Priority 2 recommendation relates to the review of the Financial Procedure Rules which has not yet been completed; the level of assurance has remained the same as the previous report because of this. However, it is noted that no compliance issues were identified during sample testing undertaken as part of this audit.

### GOOD PRACTICE IDENTIFIED



The Finance team remain fully functional whilst working from home and ad-hoc from the office.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

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## South Wales Fire and Rescue Service

### Summary Internal Controls Assurance (SICA) Report

2021/22

March 2022

## Summary Internal Controls Assurance

### Introduction

1. This summary controls assurance report provides the Finance Audit and Performance Management (FAPM) Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at South Wales Fire and Rescue Service as at 21<sup>st</sup> March 2022.

### Audits completed since the last SICA report to the Finance Audit and Performance Management Committee

2. The table below sets out details of audits finalised since the previous meeting of the Finance Audit and Performance Management Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Death in Service Benefits	Reasonable	04/02/2022	09/02/2022	10/02/2022	-	1	-	-
Equality and Diversity	Substantial	03/02/2022	11/02/2022	11/02/2022	-	-	2	-
Key Financial Controls	Reasonable	03/02/2022	21/02/2022	21/02/2022	-	-	-	-
Mitigating Controls	Substantial	23/02/2022	21/03/2022	21/03/2022	-	-	1	-

3. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

### Progress against the 2021/22 Annual Plan

4. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

### Changes to the Annual Plan 2021/22

5. There is to be one change to the Annual Plan 2021/22 with a review of the Service's Brexit response replaced by a Death in Service process review.

### Progress in actioning priority 1

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

## Root Cause Indicators

7. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for South Wales Fire and Rescue Service. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI.

*RCI – Direction of Travel Assessment*

Root Cause Indicator	Qtr. 1 (2021/22)	Qtr. 2 (2021/22)	Qtr. 3 (2021/22)	Qtr. 4 (2021/22)	Medium term Direction of Travel	Audit Observation
<b>Directed</b>						
Governance Framework	0	56% (5)	33% (1)	0	↓	The majority of recommendations raised in the year relate to the Governance Framework and Compliance.
Risk Mitigation	0	0	0	25% (1)	↑	
Control Compliance	0	33% (3)	33% (1)	50% (2)	↑	
<b>Delivery</b>						
Performance Monitoring	0	11% (1)	0	25% (1)	↑	
Financial Constraint	0	0	0	0	↔	
Resilience	0	0	33% (1)	0	↓	

## Frauds/Irregularities

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

## Other Matters

9. We have issued a number of briefing notes and fraud digests, shown in Appendix D, since the previous SICA report.

Briefing Note
Increased Cyber Security Risks
Guidance to public bodies in Wales
Amazon and VISA Settle Dispute

Fraud Alert
No Fraud Alerts have been issued since the last SICA.

## 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.

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## Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included within the Finance, Audit and Performance Management Committee papers. Full copies of the reports are available on request. Where a review is a 'Limited' or 'No' Assurance assessment the full report will be presented.

Review	Evaluation
Death in Service Benefits	Reasonable
Equality and Diversity	Substantial
Key Financial Controls	Reasonable
Risk Mitigations	Substantial

## Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Strategic Planning	1	Final Report issued 11/10/2021	Presented to December 2021 FAPM
Safeguarding	1	Final Report issued 24/08/2021	Presented to December 2021 FAPM
Payment Cards	1	Final Report issued 06/08/2021	Presented to September 2021 FAPM
Performance Management	2	Final Report issued 17/08/2021	Presented to September 2021 FAPM
Core HR	2	Final Report issued 31/01/2022	Presented to February 2022 FAPM
ICT Cyber Security	2	Fieldwork commenced, Draft Report pending	Moved to Q3
Mitigating Controls	3	Final Report issued 21/03/2022	
Key Financial Controls	3	Final Report issued 21/02/2022	
Equality and Diversity	4	Final Report issued 11/02/2022	
Station Visits	4	Fieldwork commenced, Draft Report pending	
Brexit	4	Replaced by Death in Service Benefits review.	
Death in Service Benefits	4	Final Report issued 10/02/2022	
Follow-up	4	Final Report issued 31/01/2022	Presented to February 2022 FAPM
Annual Planning	1	Annual Plan issued as final 19/03/2021	Audit Plan 2022/23 to be presented at the FAPM in April 2022.
Annual Report	4	Issued as draft 21/03/2022	
Audit Management	1-4		

**KEY:**

To be commenced	Site work commenced	Draft report issued	Final report issued
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## Priority 1 Progress update

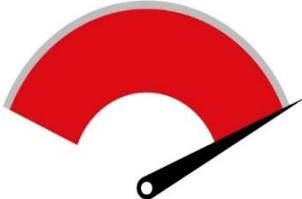
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No Priority 1 recommendations have been made in 2021/22 to date.

## Briefings on developments in Governance, Risk and Control

TIAA produces 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 and Fraud Alerts issued in the last three months 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.

### Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN22010	Increased Cyber Security Risks		<p><b>Action Required - Urgent</b></p> <p>Organisations are advised to review their key operational Cybersecurity arrangements and take appropriate remedial action.</p> <p><b>Link:</b> <a href="https://www.ncsc.gov.uk/guidance/actions-to-take-when-the-cyber-threat-is-heightened">https://www.ncsc.gov.uk/guidance/actions-to-take-when-the-cyber-threat-is-heightened</a></p>
CBN22009	Guidance to public bodies in Wales		<p><b>Action Required - Not Urgent</b></p> <p>Audit Committees and Boards/Governing Bodies are advised to consider the principles within their own systems of control and operational practices.</p> <p><b>Link:</b> <a href="#">Principles of Good Administration</a> &amp; <a href="#">Good Records Management Matters</a></p>
CBN22007	Amazon and VISA Settle Dispute		<p><b>Potential Urgent Action Required</b></p> <p>Following on from the previous related CBN in January 2022, clients are advised to establish what internal process changes were made as a result of the previous announcements and consider whether there is merit in continuing to use Visa credit cards.</p> <p><b>Link:</b> <a href="#">Amazon.co.uk Help: Accepted payment methods</a></p>

**Summary of recent Fraud Alerts**

Ref	Subject	Status	TIAA Comments
No Fraud Alerts have been issued since the last SICA.			

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 10  
11 APRIL 2022

FINANCE AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TEMP ACO CORPORATE SERVICES &amp; THE INTERNAL AUDITORS

**INTERNAL AUDITORS ANNUAL REPORT YEAR ENDING 31 MARCH 2022****THIS REPORT IS FOR INFORMATION**

REPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &amp; PROPERTY

**SUMMARY**

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

**RECOMMENDATION**

That Members note the work and overall opinion of the Internal Auditors for the financial year 2021/2022.

**1. BACKGROUND**

1.1 As Members will be aware TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Action Plan which was approved by this Committee on 15 March 2021.

**2. ISSUE**

2.1 During the year Members have received regular reports updating them on progress being made against the Plan and this report summarises for Members the outcomes of all the audits undertaken.

2.2 Throughout the Financial Year 2021/22, 12 planned audits (70 days) were undertaken within scheduled timescales.

2.3 Based on the evidence provided the Internal Auditor is able to draw a reasonable conclusion as to the adequacy and effectiveness of the South Wales Fire & Rescue Service's risk management, control and governance processes.

- 2.4 The Internal Auditor's opinion for the year will support the Annual Governance Statement, which will be considered by the Finance Scrutiny Committee prior to inclusion in the Annual Statement of Accounts.

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

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

#### 3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	No
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

#### 3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

### 4. EVALUATION & CONCLUSIONS

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

## 5. RECOMMENDATION

- 5.1 That Members note the work and findings of the Internal Auditors for 2021/2022.

<b>Contact Officer:</b>	Temp ACO Geraint Thomas
<b>Background Papers</b>	Appendix 1 – Internal Auditors Annual Report 31 March 2022

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## South Wales Fire and Rescue Service

Internal Audit Annual Report

2021/22

March 2022

## Internal Audit Annual Report

### Introduction

This is the 2021/22 Annual Report by TIAA on the internal control environment at South Wales Fire and Rescue Service. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report, which incorporates CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19, is designed to assist the South Wales Fire and Rescue Service in making its annual governance statement.

### Limitations on our opinion arising from Covid-19

The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. This has been compounded by the emergence of new variants which has required the vaccination and booster programme to be accelerated. These have impacted staff availability and organisational capacity. It is acknowledged that this has affected some sectors more than others.

For internal audit the question remains as to whether sufficient internal audit work has been undertaken to gain assurance during 2021/22. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) when issuing their annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the organisation relies on for its Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?

- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

### What this means for South Wales Fire and Rescue Service

There has been minimal or no impact on the delivery of the internal audit work for 2021/22 as a result of the COVID-19 pandemic. There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

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

**TIAA is satisfied that, for the areas reviewed during the year, South Wales Fire and Rescue Service has reasonable and effective risk management, control and governance processes in place.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the South Wales Fire and Rescue Service from its various sources of assurance.**

### Internal Audit Planned Coverage and Output

The 2021/22 Annual Audit Plan approved by the Finance and Performance Management Committee was for 70 days of internal audit coverage in the year.

During the year there was one change to the Audit Plan with a review of Brexit replaced by a review of Death in Service Benefits which was reported to Finance and Performance Management Committee.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

### Assurance

TIAA carried out 11 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve South Wales Fire and Rescue Service's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below. *Two reports have not yet been issued, although fieldwork has been completed and are excluded from the summaries and will be updated when the final report annual report is issued.*

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	5	5
Reasonable Assurance	4	7
Limited Assurance	-	-
No Assurance	-	-

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

We made the following total number of recommendations on our audit work carried out in 2021/22. The numbers in brackets relate to 2020/21 recommendations

Urgent	Important	Routine
0 (0)	6 (12)	10 (19)

### Audit Summary

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

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

Risk Area	Urgent	Important	Routine
<b>Directed</b>			
Governance Framework	0	2	4
Risk Mitigation	0	0	1
Compliance	0	3	3
<b>Delivery</b>			
Performance Monitoring	0	1	1
Financial Constraint	0	0	0
Resilience	0	0	1

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

Operational
5

### Independence and Objectivity of Internal Audit

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

### Performance and Quality Assurance

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

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

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

**Release of Report**

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

<b>Date Draft Report issued:</b>	21 <sup>st</sup> March 2022
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## Annexes

## Annex A

## Actual against planned Internal Audit Work 2021/22

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Strategic Planning	Assurance	6	6	Substantial	Final Report Issued
Safeguarding	Assurance	6	6	Reasonable	Final Report Issued
Payment Cards	Assurance	6	6	Substantial	Final Report Issued
Performance Management	Assurance	6	6	Substantial	Final Report Issued
Core HR	Assurance	4	4	Reasonable	Final Report Issued
ICT Cyber Security	Assurance	6	6	Draft Report Pending	Draft Report Pending
Mitigating Controls	Compliance	3	3	Substantial	Final Report Issued
Key Financial Controls	Assurance	6	6	Reasonable	Final Report Issued
Equality and Diversity	Assurance	6	6	Substantial	Final Report Issued
Station Visits	Compliance	4	4	Draft Report Pending	Draft Report Pending
Brexit	Assurance	4	0	Replaced by review of Death in Service	Replaced by review of Death in Service
Death in Service	Assurance	0	4	Reasonable	Final Report Issued
Follow-up	Follow Up	3	3	N/A	Final Report Issued
Annual Planning		2	2	N/A	Final Report Issued
Annual Report		1	1	N/A	Draft Report Issued
Audit Management		7	7	N/A	N/A
	<b>Total Days</b>	<b>70</b>	<b>70</b>		

**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 11  
11 APRIL 2022

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE HEAD OF CORPORATE SUPPORT

**ANNUAL REPORT OF THE WORK OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE AND THE FINANCE, ASSET & PERFORMANCE MANAGEMENT SCRUTINY GROUP****THIS REPORT IS FOR INFORMATION**

REPORT APPROVED BY TEMPORARY DIRECTOR OF CORPORATE SERVICES

REPORT PRESENTED BY HEAD OF CORPORATE SUPPORT

**SUMMARY**

This report is the draft annual report on the work of the Finance, Audit & Performance Management Committee and its Scrutiny Group for the municipal year 2021/2022.

**RECOMMENDATIONS**

That Members consider the report and make any necessary amendments to its content prior to reporting to the Fire & Rescue Authority as a summary of the workload carried out by Finance, Audit and Performance Management Committee and the Finance, Asset & Performance Management Scrutiny Group during the municipal year.

**1. BACKGROUND**

1.1 This report sets out the annual report of the Finance, Audit and Performance Management Committee and the Finance, Asset & Performance Management Scrutiny Group during the municipal year.

**2. ISSUE**

2.1 As Members will be aware, the Finance, Audit & Performance Management Committee was established to demonstrate the Authority's commitment to the efficient and effective deployment of public resources and the attainment of related performance targets.

2.2 The Finance, Audit & Performance Management Committee is responsible for:

- the planning and management of the Authority's financial resources, including authorising expenditure, virement of funds and donations of equipment or other property within the remit of the Authority's Financial Regulations.
- overseeing the financial reporting process and provides a detailed examination of financial performance, including the extent that this affects the Authority's exposure to risk and weakens the control environment.

2.3 As Members will also be aware, the Finance, Asset & Performance Management Scrutiny Group was established to demonstrate the Authority's commitment to the efficient and effective deployment of public resources and the attainment of related performance targets.

2.4 The Finance, Asset & Performance Management Scrutiny Group provides assurance that available funding and assets are utilised as efficiently and effectively as possible to protect the level of service offered to the public within the core priorities defined by the Fire & Rescue Authority by reviewing, challenging and monitoring:

- the make-up of the Authority's revenue and capital budget with a view to cost reduction or value enhancement.
- the management of the Authority's assets
- how the Authority manages its performance and how this is presented in a meaningful way to the public and its stakeholders.

2.5 There are two appendices to this report. Appendix 1 contains the Annual Report of the Work of the Finance, Audit & Performance Management Committee and Appendix 2 contains the Annual Report of the Finance, Asset & Performance Management Scrutiny Group

### 3. IMPLICATIONS

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No

Consultation with Representative Bodies	No
Impact Assessment	No

### 3.2 Regulatory, Strategy and Policy

Legal	No
Financial	No
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

### 3.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

## 4. RECOMMENDATIONS

- 4.1 That Members consider the report and make any necessary amendments to its content prior to reporting to the Fire & Rescue Authority as a summary of the workload carried out by Finance Audit and Performance Management Committee and the Finance Asset & Performance Management Scrutiny Group during the municipal year.

<b>Contact Officer:</b>	Sarah Watkins Head of Corporate Support
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<b>Background Papers:</b>	<b>Date</b>	<b>Source/Contact</b>
None		

<b>Appendices:</b>	
Appendix 1	Annual Report of the Work of the FAPM Committee
Appendix 2	Annual Report of the Work of the FAPM Scrutiny Group

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## APPENDIX 1

### DRAFT ANNUAL REPORT OF THE WORK OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

#### 1. PURPOSE OF THE COMMITTEE.

- 1.1 As Members will be aware, the Finance, Audit & Performance Management Committee was established to demonstrate the Authority's commitment to the efficient and effective deployment of public resources and the attainment of related performance targets.
- 1.2 The Committee is responsible for the planning and management of the Authority's financial resources including authorising expenditure, virement of funds and donations of equipment or other property. It oversees the financial reporting process and provides a detailed examination of financial performance including the extent that this affects the Authority's exposure to risk and weakens the control environment. The Committee also provides assurance of the adequacy of the risk management framework and associated control environment. Within the scope of the Committee, it also assists the Fire & Rescue Authority in policy and strategy development issues relating to Finance, Audit & Performance Management and Good Governance issues.
- 1.3 To discharge its functions the Committee plans its work through a forward work programme. The work of the Committee broadly falls under three distinct categories, namely: financial; policy, audit or development; and scrutiny. For the purposes of this report it is intended that an overview of the work undertaken by the Committee in the 2021/2022 municipal year is detailed under each of the sub headings.
- 1.4 In addition, the Committee is also responsible for the Authority's Finance, Asset & Performance Management Scrutiny Group. The Scrutiny Group annual report forms part of this report at Appendix 2.

#### 2. FINANCIAL

- 2.1 The Committee is specifically tasked with reviewing and challenging where necessary the Authority's financial statements, interim reports, preliminary projections and related formal statements before clearance by the auditors. Particular attention is paid to:
  - 2.1.1 The critical accounting policies and practices and any changes in them.
  - 2.1.2 The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.

- 2.1.3 The clarity of reports.
  - 2.1.4 Significant adjustments resulting from audits.
  - 2.1.5 Compliance with accounting standards.
  - 2.1.6 Compliance with other legal requirements.
- 2.2 The Committee also monitors the management action in response to issues raised in relation to financial reporting and carries out spending reviews of budgets to enable reviews of current spending policy.
- 2.3 In discharging these functions the Committee has undertaken a large amount of work this year on a variety of financial issues. This work has included the following:
- 2.4 **Revenue and Capital Monitoring** – The Committee has considered in detail regular monitoring reports in respect of the current financial year’s revenue and capital budgets which provide an update of expenditure against the budget for the year. Detailed scrutiny has taken place in respect of variations against budget, and further reports or information have been requested where appropriate to address Members’ queries. Detailed questioning has been undertaken in respect of various costings, including approving virements. Members also noted the budget and progress of capital schemes and approved alterations noting the associated funding streams.
- 2.5 **Expenditure during COVID-19** – Members continued to receive updates detailing where funds are being spent during COVID-19. Officers advised Members that all COVID related response and recovery expenditure was being tracked by the Service and that figures were regularly being provided to Welsh Government. Subsequently Members received updated and subjective breakdown of COVID-19 financial impacts. Members also noted that the Service continues to submit claims for the additional COVID-19 expenditure to Welsh Government on a monthly basis.
- 2.6 **Revenue and Capital Outturn** – Members considered the revenue and capital outturn reports for the previous financial year which advise on total revenue and capital expenditure against the respective budgets following the year end. Members scrutinised year end variations and used this information to help understand the budget pressures and to influence budget setting for subsequent years. Members received reports on the outturn position and deployment of usable reserves.
- 2.7 **Reserves Strategy** – Members were updated on the reserves position of the Authority and, in accordance with best practice, considered and scrutinised their stance on reserves and reaffirmed the previous strategy with regard to reserves.

- 2.8 **Revenue and Capital Budget Setting** – The Committee and its Finance, Asset & Performance Management Scrutiny Group have taken a detailed role in assisting in the formulation of the appropriate revenue and capital budgets required to meet the Service’s requirements for the next financial year. The work has once again been greatly assisted by a full review of the Authority’s Medium Term Financial Plan, which has been updated accordingly. The culmination of this work resulted in the Authority resolving to consult on a budget increase of 2.29% as recommended by the Committee for the coming year, a budget subsequently approved by the Authority.
- 2.9 **Statement of Accounts 2019/2020** – In June, the Committee were presented the draft Statement of Accounts for 2019/2020 and the Treasurer was given authority to make any necessary amendments that may be required as a consequence of the audit process. Audit Wales advised that due to COVID-19, auditing continued to be undertaken remotely. The final Statement of Accounts was reported to the Fire & Rescue Authority in September. The Annual Audit Letter for 2019/20 was also directly reported to the Fire & Rescue Authority at its February meeting.
- 2.10 **Treasury Management** – In September, the Committee considered the Treasury Management annual report which advises on performance against the Treasury Management Policy and Strategy following the financial year end. The report provided Members with an opportunity to scrutinise performance and also to assess any implications for the current strategy and budget setting proposals for the following financial year. Members noted the annual treasury management review for 2019/2020 and approved the actual prudential and treasury indicators set therein.
- 2.11 In November, the Committee considered the Treasury Management mid-term report which outlined performance against the Treasury Strategy from April to September of the current financial year. Detailed scrutiny and questioning took place resulting in recommendations to the Fire & Rescue Authority to approve the revised Strategy.
- 2.12 **Medium Term Financial Strategy** – Members received updates on the Medium Term Financial Strategy and were informed of the best, medium and worst case scenarios that had been used in the financial modelling that had been undertaken and were afforded the opportunity to scrutinise the process and scrutinise the implications for the Service of various scenarios.

### 3. POLICY, AUDIT OR DEVELOPMENT

3.1 The Committee has specific responsibilities in relation to internal control and risk management; internal audit; external audit and inspection; performance management; and the Local Government Measure. In relation to internal control and risk management, the Committee is responsible for reviewing the Authority's procedures for detecting fraud and corruption and whistleblowing, and ensuring that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, finance control and any other matters. The Committee also reviews officers and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management, and monitors the integrity of the Authority's internal financial controls. The Committee is also required to review and approve the Authority's assurance statements, including the Annual Governance Statement, and be satisfied that they properly reflect the risk environment and any actions required to improve it. In addition, Members assess the scope and effectiveness of the systems established to identify, assess, manage and monitor financial risk, and review and approve the Authority's Corporate Risk Register.

3.2 **Internal Audit** – In relation to internal audit, the Committee is required to review and approve the internal audit programme for the Authority and ensure that the internal audit function is adequately resourced. In this respect it receives reports on the results of the internal auditor's work on a periodic basis and receives the annual report of the internal auditor. The Committee reviews and monitors action taken by departments as a result of the internal auditor's findings and recommendations, and monitors and assesses the role and effectiveness of the internal audit function in the overall context of the Authority's risk management system. Where necessary, direct action is to be taken as a consequence of an internal audit report if required.

3.3 The Committee agreed an annual internal audit programme for 2020/2021 at their meeting in June, covering the areas identified below. Since the programme was agreed, the Committee has considered in detail the progress and findings of the relevant audits:

- Strategic Control
- Communications
- ICT Data Assurance
- Procurement
- Station Visits
- Sustainability: Paper Usage
- Human Resources Management - Training
- Key Financial Controls
- Mitigating Controls
- Estate Management

- 3.4 Members have noted the internal audit recommendations and work completed to date on the Internal Audit Annual Plan.
- 3.5 **External Audit** – In relation to external audit and inspection, the Committee is responsible for overseeing the Authority's relations with the external auditor. It approves the terms of engagement to the external auditor in respect of auditing inspection services received by the Authority.
- 3.6 The Committee also reviews with the external auditor the findings of their work including any major issues that arise during the course of an audit, key accounting and audits judgements, level of errors identified during the audit, and obtain explanations from managers or auditors as to why certain errors might remain unadjusted. In addition, the Committee reviews and monitors the actions taken by departments as a result of the external auditor's findings and recommendations and, where necessary, direct action should be taken as a consequence of an external audit report.
- 3.7 In September, the Audit Wales Officer provided a detailed report on the review of the Authority's approach and management of stakeholder involvement when proposing service and policy changes, and in the design of future activities. The review concluded that the Authority has a generally good approach to involvement with partners and communities but needs to improve its impact by evaluating current approaches to strengthen future activity. Members noted the content of the report.
- 3.8 Also in September the Audit Wales Officer updated Members on the issue of the Certificate of Compliance for the audit of the Authority's 2020/2021 Improvement Plan. Members noted the issue of the Certificate of Compliance for the audit of the Authority's 2020/2021 Improvement Plan, which is incorporated into its Strategic Plan 2020-2030.
- 3.9 Members also assess at the end of the audit cycle the effectiveness of the audit process by reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any change (including changes in perceived audit risks and the work undertaken by the external auditors to address those risks); consideration of the robustness and perceptiveness of the auditors in handling of the key accounting and audit judgements; responding to questions from the Committee, and their commentary, where appropriate, on the systems of internal control.
- 3.10 The Committee was very pleased to note the comments made by the Auditor General about the progress the Service was making in

implementing previous recommendations and that the Authority had appropriate arrangements in place for achieving financial resilience.

- 3.11 Previously the Fire & Rescue Authority required that the Committee meets with both internal and external auditors without management present to discuss the audit work of the Authority. Following discussions with the Committee, internal and external auditors' agreement was made that meeting annually was sufficient.
- 3.12 **Performance Management** – The Committee receives all external reports on the performance of the Authority and considers and recommends to the Fire & Rescue Authority action plans relating to these reports and monitors progress against the approved action plans. In relation to the Wales Programme for Improvement, the Committee reviews, approves and challenges, where necessary, the performance and improvement plan; the operational and non-operational assurance self-assessment when appropriate; the joint risk assessment; and any other periodic reports on performance management of relevant areas of the Service. In addition, the Committee considers comparative studies, including benchmarking and best practice.
- 3.13 As a consequence, the Committee has to date considered reports on progress of audit, scheme and circular action updates and also provides detailed scrutiny of the Service's Strategic Risk Register. In addition, considerable time has been taken up considering progress against the Statutory Performance Indicators the Service reports against to Welsh Government; and its health check of performance against the Priority Actions identified by the Service as being required to be implemented to achieve the eight Strategic Themes approved by the Authority in its ten year Strategic Plan.
- 3.14 **Business Fire Safety Annual Summary Report 2019/2020** - Members also received reports on the extensive work carried out by the Business Fire Safety (BFS) Department raising awareness of the role of the department, and how the team contributes to Service Delivery and the Risk Reduction Department. Members noted the extensive work carried out by the BFS Department and thanked the officer for the presentation.
- 3.15 **Emergency Services Network Update** – Members received the requested update on the progress of the Emergency Services Network project which aims to deliver a much better voice and data service to the emergency services, replacing the reliable but limited and aging Airwave system. Members noted the content of the report.

## **4. SCRUTINY**

- 4.1 As it has already been highlighted, the Committee is responsible for the scrutiny function of the Authority and has undertaken a considerable amount of scrutiny throughout the year on a variety of topics. It provides Service improvement through regular challenge and scrutiny of reports and assumptions, with some detailed scrutiny provided by the Scrutiny Group.
- 4.2 This year, the scrutiny work of the Committee has continued to adopt a thematic approach, whereby a specific topic or area is examined which will allow the Authority to develop its policies and respond more effectively to local needs.
- 4.3 This has included the appointment of a number of Member Champions. Other aspects of work undertaken have included the scrutiny of Departmental Risks and considering the Revenue Budget in relation to the Local Government Settlement.
- 4.4 The Scrutiny Group have also reviewed a number of asset management plans, including the Asset Management Strategy 2019-29, considering sustainability and environmental issues. It has also reviewed the Fleet & Vehicles Plan, budget & planning assumptions and progress against the plan. The Scrutiny Group also analysed the Operational and Personal Equipment Plan, budget and planning assumptions, along with the ICT Plan, budget and planning assumptions plus project overview and progress.

## **5. ADDITIONAL AREAS OF WORK STILL TO BE UNDERTAKEN**

- 5.1 In addition to the work above, the Finance, Audit & Performance Management Committee has still to undertake several other pieces of detailed work during the remainder of the municipal year including:
- Internal Audit Report
  - Internal Audit Annual Report 2021/22
  - Internal Audit Annual Plan 2022/23
  - Audit Wales - Those Charged with Governance
  - Audit Wales – Carbon Emissions Reduction
  - 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

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**APPENDIX 2****ANNUAL REPORT OF THE FINANCE, ASSET & PERFORMANCE MANAGEMENT SCRUTINY GROUP****1. PURPOSE OF THE SCRUTINY GROUP**

1.1 As Members will be aware, the Finance, Asset & Performance Management Scrutiny Group was established to achieve two purposes:

1.1.1 Firstly, to demonstrate the Authority's commitment to the efficient and effective deployment of public resources and to give assurance that available funding is utilised as efficiently and effectively as possible to protect the level of service offered to the public within the core priorities defined by the Fire & Rescue Authority. This was considered necessary to enable detailed and in depth scrutiny of the Service's operations and its budgets in a manner that was not possible within the time constraints posed within the Committee structure.

1.1.2 Secondly, to demonstrate the Authority's commitment to the efficient and effective management of its assets, and to give assurance that its assets are utilised as efficiently and effectively as possible to ensure that the level of service offered to the public, within the core priorities defined by the Fire & Rescue Authority, is delivered.

1.2 For clarity, it is proposed to deal with each of the functions of the Scrutiny Group separately.

**2. FINANCIAL RESPONSIBILITIES**

2.1 The Scrutiny Group is responsible for reviewing and challenging the make-up of the Authority's revenue and capital budget with a view to cost reduction or value enhancement. In carrying out these functions, the Scrutiny Group pays particular regard to:

- The clarity of budget headings.
- The statutory requirements of the Authority to deliver a service to the public of South Wales.
- The national commitments of the Authority to deliver a service on strategic issues such as national resilience.

- The relationship of the budget with key corporate documents of the Authority.
  - Carrying out spending reviews of budgets to enable assessments of current spending policy against future financial predictions of the organisation within the Medium Term Financial Strategy.
  - Reviewing past performance of selected budget areas when assessing current and future years' requirements; and
  - Reviewing the budget setting process for revenue and capital budgets for improvements that could be made in future years.
- 2.2 To discharge its functions the Scrutiny Group plans its work through a forward work programme which is agreed at the beginning of the year and reviewed at each meeting. The work of the group broadly comprises scrutiny of the Medium Term Financial Strategy and financial projections for the future, scrutiny of budget holders, scrutiny of revenue and capital budget monitoring reports and reports to the Finance, Audit & Performance Management Committee.
- 2.3 As Members will be aware, much of the work of the Scrutiny Group is geared towards preparations for striking the revenue and capital budget each year, set in the context of the adopted Strategic Plan, the Medium Term Financial Strategy, the approved Budget Strategy and the approved Reserves Strategy.
- 2.4 In addition, the following specific areas of work were considered:
- 2.4.1 **Medium Term Financial Strategy, Revenue & Capital Budget Setting 2022/2023** – Members received a presentation on the Medium Term Financial Strategy and the Revenue & Capital Budget Setting for 2022/23. Members were reminded of the range of issues that were impacting upon next year's budget and some of the uncertainties this created.
- 2.4.2 Members questioned officers regarding the profiling of risks, and the Treasurer confirmed that the Service maintains a reserve strategy for short term risks.
- 2.4.3 The process followed by Members allowed them to apply a robust level of scrutiny by questioning officers over the process, proposed budgets and the uncertainties the Service was faced with in reaching their conclusions. Members noted the Medium Term Financial Strategy and Revenue & Capital Budget Setting

2022/2023. The Treasurer agreed to correspond with each unitary authority providing an update on the current position.

- 2.4.4 **2022/2023 Budget Consultation** – Members were informed however that just one, broadly positive formal consultation response had been received from Newport City Council, which confirmed the positive funding uplifts received by all local authorities and recognised that the Fire & Rescue Authority's contribution request was contained within those figures.

A request was received from Bridgend County Borough Council for representatives of the Fire & Rescue Authority attend a Council Meeting to present an update of Service activities, including the budget. Arrangements have been made to attend the Council Meeting on 9 March 2022.

The Treasurer confirmed that during consultation, a request was made to the ten constituent authorities to forward the consultation to respective Members to seek wider feedback.

- 2.4.5 **CIPFA Financial Management Code** – The Treasurer advised Members that good financial management was an essential element of good governance and longer-term service planning, which was critical in ensuring that local service provision was sustainable. The CIPFA Financial Management Code should be adopted by each local authority to underpin its governance and management processes.

Following consideration of the content of the Financial Management Code, Members made recommendations to the Finance, Audit & Performance Management Committee on areas which it believed should be strengthened or improved.

The 'Potential Actions' contained within the report were discussed and as well as ways to improve consultation with local authorities, officers agreed to consider carrying out a survey with Councillors in Local Authorities and how it could be constructed.

### **3. ASSET MANAGEMENT RESPONSIBILITIES**

- 3.1 The Scrutiny Group is responsible for reviewing, monitoring and challenging the management of the Authority's assets. In carrying out these functions, the Scrutiny Group pays particular regard to:

- The statutory requirements of the Authority to deliver a service to the public of South Wales.

- The statutory requirements of the Authority of running an organisation (including health and safety management).
- The relationship of our assets with key corporate documents of the Authority.
- Carrying out specific reviews of the Authority's performance in the management of its assets.
- To consider and challenge the performance review systems and targets.
- To consider collaborative opportunities for the Authority in the management of its assets.

3.2 As with its financial responsibilities, to discharge its functions effectively, the Scrutiny Group plans its work through a forward work programme. The work of the group broadly comprises scrutiny of the following documents and reports to the Finance, Audit & Performance Management Committee:

<ul style="list-style-type: none"> <li>• Property Asset Strategy 2021/22</li> <li>• 2017-2021 Fleet Asset Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational and Personal Equipment Strategy 2020-2025</li> <li>• ICT Strategy</li> </ul>
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3.3 In addition, the following specific areas of work were considered:

3.3.1 **Property Asset Strategy 2021/22** - The Property Strategy Manager updated Members on the new Property Asset strategy which provides the clear principles, ethos and goals of the Service in the management of its property, including land and buildings. The Strategy is essential to enable property decisions to be made in line with the Strategic Plan.

Members raised questions on the relocation of New Inn and Officers confirmed that due consideration would be given to an alternative emergency access within the constraints of the proposed site in conjunction with the local Highways Department.

Members approved the new Property Asset Strategy for 2021/22.

3.3.2 **Review of Fleet & Vehicles Strategy, Budget & Planning Assumptions and Progress Against the Plan** - The Head of Fleet & Engineering informed Members that the presented report supported the 2017-2021 Fleet Asset Management Plan.

There was specific discussion on electrified vehicles and the lifespan of batteries. Members agreed to note the contents of the report which supported the attached plan.

- 3.3.3 Review of ICT Strategy, Budget & Planning Assumptions, Project Overview, and Progress Against the Plan** - The Head of ICT informed Members that the presented report provided a review of the ICT Strategy, budget and planning assumptions, and an overview of the key projects which included a capital report.

Following a question and answer session on networking issues, Members agreed to note the contents of the report.

- 3.3.4 Operational and Personal Equipment Strategy, Budget and Planning Assumptions 2020-2025** - The Head of Operational Risk Management presented a report which updated Members on the Operational and Personal Equipment Strategy 2020-2025. Members agreed to note the contents of the report.

#### **4. APPOINTMENT OF MEMBER CHAMPIONS**

- 4.1 Members were requested to determine Member Champions to the key asset management groups.
- 4.2 Members resolved to appoint the following Members as Member Champions for the following Asset Groups:
- Land & Buildings – Councillor V Smith
  - ICT – VACANT
  - Fleet & Engineering – VACANT
  - Operational & Personal Issue Equipment – Councillor J Williams.
- 4.3 The two vacancies were deferred until the new Municipal Year, and the next Annual General Meeting in June 2022.

#### **5. SCRUTINY COMMITTEE REFORM PROPOSALS**

- 5.1 Proposed New Terms of Reference for Scrutiny Group – The Director of Corporate Services brought a reiteration of the previous reports on the proposed new terms of reference for the Scrutiny Group.
- 5.2 Following in-depth discussion and scrutiny of all options presented, all Members voted unanimously to refer the following proposals to the HR & Equalities Committee and the Finance, Audit & Performance Management Committee prior to making recommendation to the Fire & Rescue Authority:

- Chairs and Deputy Chairs of Fire & Rescue Authority or Committees are not able to sit on the Scrutiny Committee.
- Members of the FAPM Committee are not able to sit on the Scrutiny Committee.
- Members of the HR & E Committee are permitted to sit on the Scrutiny Committee.
- Invited co-opted subject matter experts as and when required.
- Reduce membership on the HR & Equalities Committee from 15 to 10 to take into consideration the additional workload and impact on Members who currently sit on more than one Committee.

## **6. FURTHER AREAS OF SCRUTINY**

- 6.1 Departmental Risk Register – Health Check 2021/22 – Quarter 3** - The Head of Service Performance & Communications presented to Members the Departmental Risk Register Report – Quarter 3 Health Check 2021/22, detailing the progress made on the management of departmental risks considered significant but separate to Service-wide risks recorded within the Strategic Risk Register.
- 6.2. Initial Draft Annual Governance Statement 2021/22** - The Deputy Monitoring Officer presented Members with the initial draft of the Annual Governance Statement which will be embodied within the 2021/22 Statement of Accounts.
- 6.3 Future Trends Report - 2022 Update** – Members will receive an updated report in relation to the previous Future Trends assessments for Wales, specifically to the administrative area of South Wales Fire & Rescue Service, as a means to identify some of the challenges and opportunities the Service is likely to face with the ongoing impact of COVID-19 and other environmental, social and economic factors.
- 6.4 Draft Annual Report on Discharge of Terms of Reference of the Finance, Asset & Performance Management Working Group** – Members will receive the drafted Annual Report of the Scrutiny Group.

**FORWARD WORK PROGRAMME FOR  
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2021/22**

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	DCO  Contact Officer: Geraint Thomas	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO  Contact Officer: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	DCO  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	
26 July 2021	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations and impact on reserves	Treasurer  Contact Officer: Geraint Thomas	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
26 July 2021	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  Contact Officer: Geraint Thomas	Completed
26 July 2021	Audit Wales Audit Plan 2021	To advise Members of the work set out by Audit Wales to be undertaken during 2021	DCO  Contact Officer: Geraint Thomas	Completed
26 July 2021	Audited Statement of Accounts	To advise Members of the content of the Audited Statement of Accounts	Treasurer  Contact Officer: Geraint Thomas	Completed
26 July 2021	Audit Accounts report (ISA 260 Report)	To advise Members of the content of the Auditor Generals ISA 260 report including the final letter of representation, proposed audit opinion and corrections/recommendations	Treasurer  Contact Officer: Geraint Thomas	Completed
<del>26 July 2021</del>	<del>Revenue Monitor</del>	<del>To provide an update on revenue expenditure against the revenue budget for the year</del>	<del>Treasurer  Contact Officer: Lisa Mullan</del>	
<del>26 July 2021</del>	<del>Capital Monitor</del>	<del>To provide an update on capital expenditure against the capital budget for the year</del>	<del>Treasurer  Contact Officer: Lisa Mullan</del>	

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
20 Sept 2021	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise progress of the Services Priority Actions and statutory PI's as at the end of Q1	DCO  Contact Officer: Sarah Watkins	Completed
20 Sept 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer  Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer  Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer  Contact Officer: Lisa Mullan	Completed
20 Sept 2021	Medium Term Financial Strategy Update, Reserves Strategy and Revenue & Capital Budget Setting Report	To update Members on the MTFS to inform and influence the budget setting process to meet the Service's requirements for the following financial year	Treasurer  Contact Officer: Geraint Thomas	Completed
20 Sept 2021	Audit Wales Final Audit Letter	To advise on conclusion of financial audit	Treasurer  Contact Officer: Geraint Thomas	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
13 Dec 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer Contact Officer: Lisa Mullan	Completed
13 Dec 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer Contact Officer: Lisa Mullan	Completed
13 Dec 2021	Revenue & Capital Budget Setting Update Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	Treasurer Contact Officer: Geraint Thomas	Completed
<del>13 Dec 2021</del> 7 March 2022	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO Contact Officer: Sarah Watkins	Completed
13 Dec 2021	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer Contact Officer: Lisa Mullan	Completed
13 Dec 2021	Annual Audit Plan Financial Audits	To advise Members of the proposed timetable for financial audits in the forthcoming audit year	Treasurer Contact Officer: Lisa Mullan	Completed. Already reported.
7 March 2022	Treasury Management Strategy Report	To secure Members' approval to the adoption of the Treasury Management Strategy for the following financial year	Treasurer Contact Officer: Lisa Mullan	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
7 March 2022	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise progress of the Services Priority Actions and statutory PI's as at the end of Q3	DCO  Contact Officer: Sarah Watkins	Completed
<del>7 March 2022</del> 11 April 2022	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 & DCO  Contact Officer: Sarah Watkins	On agenda
7 March 2022	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer  Contact Officer: Lisa Mullan	Completed
7 March 2022	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer  Contact Officer: Lisa Mullan	Completed
<del>7 March 2022</del> 11 April 2022	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO  Contact Officer: Geraint Thomas	On agenda

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
<del>7 March 2022</del> 11 April 2022	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: Geraint Thomas	On agenda
7 March 2022	Corporate Departmental Risk Register	To seek Members' views upon the Corporate Departmental Risk Register	DCO  Contact Officer: Sarah Watkins	Completed
7 March 2022	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: Sarah Watkins	Completed
11 April 2022	Those Charged with Governance	That the Fire & Rescue Authority confirms its response to the Wales Audit Office questions to obtain reasonable assurance that the financial statements are free from material misstatement due to fraud or error	T/ACO CS  Contact Officer: Lisa Mullan	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
11 April 2022	Internal Audit	Audit & Plan Scheme Updates To seek Members' views upon the progress of Audit & Plan Scheme Actions	T/ACO CS  Contact Officer: Lisa Mullan	

Sally Chapman - DCO  
Dewi Rose - ACFO Service Delivery  
Sarah Watkins - Head of Corporate Support

Chris Barton - Treasurer  
Geraint Thomas - T/ACO Corporate Services  
Lisa Mullan - T/Head of Finance & Procurement

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## AGENDA ITEM NO 13

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

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1. Apologies for Absence
2. Roll Call
3. 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.

4. Chairperson's Announcements
5. To Receive the Minutes of:
  - Finance, Audit & Performance Management Committee held on Monday 7 March 2022 3

**REPORTS FOR DECISION**

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7. Audit Wales Enquiries to 'Those Charged with Governance' – Draft Response 23
8. Audit Wales Carbon Emissions Reduction Report 41

**REPORTS FOR INFORMATION**

9. Internal Audit Progress Report & Audit Action Update 61
10. Internal Auditors Annual Report year ending 31 March 2022 85
11. Annual Report of the work of the Finance, Audit & Performance Management Committee and the Finance, Asset & Performance Management Scrutiny Group 95
12. Forward Work Programme 2021/22 113
13. To consider any items of business that the Chairperson deems urgent (Parts 1 or 2) 121