

**AWDURDOD TÂN AC ACHUB CANOLBARTH A GORLLEWIN
CYMRU**



MID AND WEST WALES FIRE AND RESCUE AUTHORITY

**COFNODION
CYFARFOD YR AWDURDOD**

Ganolfan Gynadledda,
Pencadlys Y Gwasanaeth Tân Ac Achub, Caerfyrddin
6 HYDREF 2008

**MINUTES
OF THE AUTHORITY MEETING**

The Conference Centre,
Fire and Rescue Service Headquarters, Carmarthen
6 OCTOBER 2008

12 Noon – 1.00pm

PRESENOLDEB/ATTENDANCE

Presennol yn y Cyfarfod/Present at Meeting:

CADEIRYDD/CHAIRMAN:	C J Crowley
IS-GADEIRYDD/VICE CHAIRMAN:	T E Evans
AELODAU/MEMBERS:	Cyng/Cllrs: D Davies, J J J Davies, J Dinham, P James, R Lewis, R Llewellyn, C Philpott, D Thomas, F Torrens, M Williams, J Dudley, G Seabourne, J Holmes
YMDDIHEURIADAU/APOLOGIES:	Cyng/Cllrs: D Fellows, G Thomas, R Smith, P Llewellyn, C Morgan, T Devichand,
YN BRESENNOL /IN ATTENDANCE:	R Smith, E Aitken, A Howells, P Bates, P Coleman

1 **DECLARATION BY MEMBERS OF ANY PERSONAL INTERESTS**

None were declared

2 **STATEMENT OF ACCOUNTS 2007/08**

The Clerk informed the meeting that the report to be considered under this agenda item had been withdrawn.

He reminded Members that the Authority had approved its Statement of Accounts on the 22nd September 2008. At that meeting the Director of Resources and Procurement had informed members of a technical issue, raised by the Auditors, in relation to the ability or otherwise of the Authority to hold reserves. The accounts presented for approval had been adjusted in line with the Auditors request, and as such the accounts had received an unqualified Audit opinion.

Following that meeting, however, further information came to light and a meeting was convened with the Authority's External Auditors, KPMG, together with the Wales Audit Office(WAO). Discussions at this meeting were of such significance that it was deemed necessary, in the best interests of the Fire Authority, to convene a special meeting of the Authority in order to re-present the Accounts, re-establishing Reserves. The Auditors indicated that this would result in the Accounts being qualified on the basis of a difference in accounting treatment, however the question of illegality had not come into the equation at that stage.

Subsequent to these discussions, the WAO had considered this Authority's request to view their legal opinion. This was released and having considered its content it became clear that the proposed course of action could not be followed, as the report as presented would in essence be asking members to approve a decision on a potentially illegal item of account.

The Clerk explained that the dilemma faced by Officers was whether to cancel today's meeting and inform members in writing of the reasons for this course of action or carry on with the meeting, withdraw the paper and explain in detail the logic underpinning what is a very technical issue. After deliberation it was thought that the latter course of action would be the best one.

The Director of Resources and Procurement gave a detailed presentation to members outlining the background behind the decision to withdraw the paper. Members were aware that the Authority had, since last years statement of accounts, changed auditors from the Wales Audit Office to KPMG, as had the other two Welsh Fire Authorities.

In order to achieve consistency between the 3 Fire and Rescue Authorities (FRAs), as part of their audit KPMG had queried the ability of the FRAs to hold reserves. The view of the technical section of the WAO was that the FRAs did not have such powers. Despite this, the WAO had signed off FRAs accounts for many years, seeing reserves as a prudent measure.

Following discussions between KPMG and the WAO, The Deputy Auditor General sought a legal opinion on the matter. South Wales FRA had maintained reserves for the previous eleven years, based on advice they had received in an early Home Office letter.

KPMG requested that the Authority show the reserves monies as being held on behalf of the Constituent Authorities, in the Creditors/Provisions/Receipts in advance section of the Balance Sheet, as their legal opinion stated that FRAs were not empowered to maintain reserves. This was done, on the basis that the Authority always acknowledged that reserves were held with the permission of the Constituent Authorities, who had always been very supportive. It was assumed that these monies were being held as 'receipts in advance' and that this would not affect the FRA to any great extent as this was a mere technicality. The Fire Authority therefore approved the Statement of Accounts at their meeting of the 22nd Sept 2008, without reserves, and the auditor signed these off with a clean audit certificate.

Immediately after the meeting it was drawn to officers attention that a 9 page audit instruction had been sent to the Constituent Authorities' External Auditors on the previous Thursday evening. This stated that the FRA should be showing the reserves monies as a creditor in the FRA accounts, and the individual Constituent Authorities should show their portion as a debtor. The meaning of this was significant. In accounting terms the reserves monies were to be effectively transferred over to the Constituent Authorities. This would not have been in the best interests of the FRA.

Both South Wales and Mid and West Wales FRA officers met with KPMG and the WAO on the 26th Sept 2008. After significant discussions lasting over 2 hours, it was concluded that in the best interests of both FRAs, the accounts should show reserves as they did in previous years. The WAO warned that this would mean that the accounts would be qualified, but that this would be done on a technicality re a 'disagreement on accounting treatment'. The impact of this on the Authority would be reputational only but this would be preferable to relinquishing the reserves. Thus the report was sent to members for the meeting today proposing this action. WAO undertook to send a representative along to the meeting to re-assure members.

Officers had asked the WAO for sight of the legal opinion and this was released. It was a possibility that the Authority would seek its own legal opinion, together with South Wales FRA, to supplement that received from the Home Office some time ago, as officers were still to be persuaded that previous accounting treatment was incorrect. The legal opinion obtained by the WAO however was strident and the Auditors felt that having now viewed the detail of the opinion, the Clerk should seriously consider the prudence of the proposed course of action. Having already presented one set of accounts with an unqualified audit to members for approval, it was clear that in light of the more firm WAO view it would not sit comfortably with either the Treasurer or the Clerk to ask members to make a decision that would reverse their previous decision, when that decision would lead to a qualified audit and which could, as highlighted by the WAO, potentially be illegal. The Clerk

therefore made the decision in consultation with the Chief Fire Officer and the Treasurer to withdraw the paper.

The Chief Fire Officer expressed his support for the actions of the Director of Resources and Procurement and would be discussing these issues with the Minister at a meeting which had been arranged for next week. Civil Servants would be approached in order to examine the possibility of clarifying the legislation, ideally before next years accounts are prepared. The WAO had assured that if their view was sought by the Assembly, they would be supportive. It was noted that all other public bodies are empowered to maintain reserves.

A meeting had been arranged with the six Constituent Authority Treasurers on 23rd October 2008 when further discussions would take place regarding seeking a workable solution for the future. As officers currently understood, all the Constituent Authorities would be setting aside the monies specifically in their accounts for use by the FRA

Mr Gilbert Lloyd of KPMG commended the actions of this Authority in withdrawing the agenda item and therefore not putting Members in a potentially legally difficult position. He continued that the Auditor had hoped for consistency of accounting across the three Authorities and apologised that the legal advice received by the Wales Audit Office that reserves were unlawful had been received at such a late stage.

Members offered their full support to the Director of Resources and Procurement and were concerned to know the outcome of the forthcoming discussions with the unitary authorities on 23rd October.

RESOLUTION

It was RESOLVED that

Members note the detailed explanation as to the reasons for the withdrawal of the report and offered their continued support to the Director of Resources and Procurement. Authorisation be given to the Director of Resources and Procurement to seek a solution to this issue in liaison with other FRAs/WAG/WAO and the Constituent Authorities.