

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 28 SEPTEMBER 2015 at
10.30 am.

Present:

Mr G. N. Cook in the Chair.

Councillors Maughan, Mole, Lauchlan, Pickard and also Mr Knowles.

In Attendance:

Gavin Barker (Mazars)

Mark Kirkham (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis and Price and also Ms Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

8. RESOLVED that the minutes of the meeting of the Governance Committee held on 29 June, 2015 be confirmed and signed as a correct record.

Internal Audit Progress Report

The Head of Internal Audit submitted a report setting out the performance of Internal Audit up to August 2015, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Members were advised that the performance against the agreed KPIs to date was shown at Appendix 1 of the report. All but two of the KPIs were on target, although this was not of concern at this point in the year and it was anticipated that the agreed plan would be delivered in full, by the year end.

Six audits were included in the 2015/2016 plan. To date, one audit had been completed in relation to business continuity arrangements. This audit resulted in the provision of substantial assurance regarding the arrangements in place.

The current overall opinion against each risk area, based on the last three years audit work was shown at Appendix 2 of the report.

Members were advised that it remained the opinion of Internal Audit that, overall throughout the Authority, there continued to be an adequate system of internal control.

9. RESOLVED that the contents of the report be noted.

Audited Statement of Accounts 2014-2015

- (i) Letter of Representation 2014-2015**
- (ii) Audit Completion Report – Year Ended 31 March 2015**
- (iii) Statement of Accounts 2014-2015**

The Finance Officer submitted a report requesting that the committee note the contents of the External Auditors 'Audit Completion Report (item ii), approve the Letter of Representation (item i) and approve the amended Statement of Accounts (item iii), in order that Mazars LLP could then formally provide an opinion on the Statement of Accounts for the year ended 31 March 2015.

The Finance Officer reminded the committee that the amended Statement of Accounts, noted previously on 29th June, 2015, did not contain any misstatements. Following the audit, the Statement of Accounts had been amended for a number of presentational issues, which were detailed at Appendix A of the report. A summary of the audited Statement of Accounts was also detailed at Appendix B.

Members were updated on the issue of fire pensions in particular the Mr Milne v Government Actuary's Department (GAD) Pension Ombudsman Case which concerned the lump sum paid to a firefighter on retirement between 1st December 2001 and 30 November 2006, whereby those affected would be entitled to a higher

lump sum payment than what they received. It was anticipated that 221 firefighters would be affected.

The Finance Officer went on to say that two amendments needed to be made in relation to Note 15 – Financial Instruments. The total debtors should be £9,000 and the PFI and finance lease liabilities should read £22,630.

Mark Kirkham then summarised the findings of the Audit Completion Report and explained that Mazars had issued an unqualified opinion, without modification, on the Statement of Accounts and concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Members were referred to the significant risks identified within the report which included:-

- Management override of controls
- Revenue recognition; and
- Pensions estimates (IAS19)

The audit conclusions within the report did not highlight any issues to bring to Members' attention.

Page 4 of the Audit Completion report was substituted, to correct the figures in relation to the balance sheet.

Members were advised that an unqualified opinion had been issued in relation to Value for Money and the Authority maintained a strong record in the delivery of its action plans and budgets. Performance overall was good, and the Authority was still driving improvement despite the spending cuts.

Officers were thanked for their assistance in helping to complete the audit and the excellent work which had been undertaken.

In response to a suggestion from Councillor Mole, the Auditors agreed to promote the successes of the Authority within the Annual Audit Letter.

Councillor Pickard commented that no reference had been made in relation to whether the level of reserves were deemed to be too high or too low. Gavin Barker explained that judgements were reserved unless they were exceptional.

10. RESOLVED that:

- (i) The Letter of Representation be noted and approved;

- (ii) The Contents of the External Auditors Audit Completion Report be noted; and
- (iii) The amended Audited Statement of Accounts for the Financial Year ended 31st March 2015, be approved.

Annual Report and Statement of Assurance 2014/15

The Chief Fire Officer, Deputy Clerk to the Authority, the Finance Officer and the Personnel Advisor to the Authority submitted a joint report to present the Annual Report and Statement of Assurance 2014/15.

ACFO Brindle advised the committee that the purpose of the Annual Report and Statement of Assurance was to inform stakeholders on the Authority's performance during 2014/15, how much was spent, and what on. The document also met a new requirement as part of the Fire and Rescue National Framework 2012, to prepare an annual Statement of Assurance. Whilst an annual report was no longer required, a copy was still produced as good practice.

The Authority set targets to monitor performance, which then enabled an assessment to be made on progress towards achieving strategic goals. The Annual Report contained a summary of performance in 2014/15 and this was the third Statement of Assurance which had be produced.

11. RESOLVED that:-

- (i) the contents of the report be noted and endorsed; and
- (ii) the document be approved for publication.

Treasury Management – Half Yearly Review of Performance 2015/2016

The Finance Officer submitted a report to outline the Treasury Management (TM) performance for 2015/2016.

Members were advised that PWLB rates had fluctuated since the start of 2015/2016 and continued to be volatile. Consequently no new borrowing had been taken out during 2015/2016 however the position continued to be monitored closely.

The Finance Officer explained that the Authority's interest rate on borrowing was very low, currently 3.50%, and as such the Authority continued to benefit from low cost borrowing and from the on-going savings from past debt rescheduling exercises.

Members were assured that Treasury Management Prudential Indicators were regularly reviewed and the Authority was within the limits set for all of its prudential

indicators, with no limits being breached. The investment policy was also regularly reviewed to ensure that it had flexibility to take full advantage of any changes in market conditions which would benefit the Authority.

More detailed Treasury Management information was included at Appendix A of the report, together with the Lending List Criteria (Appendix B) and the Approved Lending List (Appendix C) which had been updated to reflect financial institution mergers and changes in credit ratings. In accordance with best practice, a risk analysis of the Treasury Management functions had been carried out, and was attached at Appendix D of the report.

Mr Knowles referred to the Approved Lending List and questioned the proportion owned by Government. The Finance Officer explained that this depended upon the individual institution for example the government owned 87% of the Royal Bank of Scotland Group and now only 12% of Lloyds Banking Group. It was also anticipated that all shares in Lloyds would be sold by the end of the calendar year and therefore would no longer be covered by the government's credit rating as a result. It would then stand by its own individual credit rating which was accommodated within the Investment Policy agreed by the Council.

12. RESOLVED that:-

- (i) The Treasury Management (TM) performance during the year to the second quarter of 2015/2016 be noted; and
- (ii) The amendments to the Approved Lending List at Appendix C of the report and the Risk Management Review of Treasury Management at Appendix D of the report be noted.

ACFO Brindle advised the committee that on 11th September, 2015, a consultation document had been published on Government proposals to enable closer working between the emergency services, including proposed changes to the governance of fire and rescue services. Members were reminded that the 2015 Conservative manifesto contained an intention to "enable fire and rescue and police services to work more closely together and develop the role of elected and accountable Police and Crime Commissioners (PCCs).

The consultation document contained 16 questions and was open to the public, with a closing date of 23 October, 2015.

ACFO Brindle explained that this had been discussed at the meeting of the Authority on 14th September and it had been agreed that the Chairman and Vice-Chairman would draft an initial response, which would then be submitted to the October

meeting, for approval. ACFO Brindle agreed to circulate this to Independent Members of the committee, for consultation. This approach was welcomed.

(Signed) G. N. COOK
Chairman