

Item 3 (i)

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
FRIDAY 29 JUNE 2012 at 9.00 AM.

Present:

Mr G N Cook in the Chair.

Councillors Mole, Ord, Padgett, M. Forbes, and Mr Paterson.

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Gambling and Waller and Miss Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

1. RESOLVED that the minutes of the last meeting held on 19 March 2012 be confirmed and signed as a correct record.

Internal Audit Annual Report for 2011/2012

The head of internal audit submitted a report to consider the performance of Internal Audit for 2011/2012, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Members were referred to the Key Performance Indicators (Appendix 1) and noted that all were achieved with the following exceptions:-

- The target for post audit questionnaire scores. The target was a score of better than 1.5 and the score achieved from the three returns was 1.7. Given the small number of returns it was noted that the return from all clients of the service was 1.1 (based on 47 returns)
- The level of medium risk recommendations implemented. The target was 90% and the actual was 88%.

The head of internal audit assured members that these were not issues which should cause concern.

All of the audits included within the plan for the year were completed and the overall opinion for each Key Risk Area was either Satisfactory or Good. A detailed analysis was provided at Appendix 2 of the report.

One of the audits was in relation to Data Handling Guidelines (DHG). The guidelines were not mandatory but outlined areas of good practice intended to help organisations to manage the risk of suffering a loss of data. The majority of actions were either still in development, or implementation had not yet started. This meant that the audit opinion for this specific area was unsatisfactory. It was highlighted that previous work in the wider area of Information Governance had been satisfactory and therefore the overall opinion in relation to Information Governance remained satisfactory.

Whilst compliance was not mandatory, this was an area in which the Authority wanted to be proactive and demonstrate good practice. Much work had since been undertaken and a lot of progress made, therefore it was expected that this opinion would become satisfactory in the near future.

The Audit Commission had carried out an independent review of the effectiveness of Internal Audit and concluded that the service continued to comply with the relevant standards.

Overall, throughout the Authority there continued to be an adequate internal control environment.

2. RESOLVED that the contents of the Internal Audit Annual Report be noted.

Annual Governance Review 2011/2012

The Chief Fire Officer, Clerk to the Authority, the Finance Officer and the Personnel Advisor submitted a report to provide details of the findings of the 2011/2012 Annual Governance Review and seeking approval to the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

The Chief Fire Officer outlined the report and referred the Authority to page 65 which diagrammatically set out the stages of the review.

All Area Managers had identified some future plans for improvement to their governance and control arrangements, however the majority of change during

the coming months was closely related to implementation of the back office reviews.

One major action which would affect the Authority's future performance was the implementation of the new command and control system.

Of the 24 corporate risks faced by the Authority, 14 would be closely monitored by the Corporate Risk Management Group and 4 were considered high priority.

In conclusion however, the Authority was found to have robust and effective governance and internal control arrangements in place. The views elicited during the review demonstrated that the principles of good governance were embedded.

Members were then referred to the Local Code of Corporate Governance (Appendix A), the Annual Governance Statement (Appendix B) and the Action Plan for 2012/2013 (Appendix C) for consideration.

3. RESOLVED that:-

- (i) the revised Code of Corporate Governance be noted and endorsed;
- (ii) the Annual Governance Statement be noted and endorsed; and
- (iii) further reports be received as appropriate.

Future External Audit Arrangements

The Chief Fire Officer, Clerk to the Authority, the Finance Officer and the Personnel Advisor submitted a report to update Members on future arrangements for the external audit of Tyne and Wear Fire and Rescue Service, following the demise of the Audit Commission.

ACFO Brindle advised Members that whilst a scaled back form of audit was still required, the inspection element of the Audit Commission's role was to be removed and financial audit work put out to tender.

Under the tendering process, work was divided into numerous regional contracts.

Members were then advised that Mazars DA was the firm successful in the North East and North Yorkshire and was formed through the transfer of former Audit Commission District Audit staff.

ACFO Brindle explained that the specific auditors assigned to TWFRAs were yet to be determined. At a regional event in May, the Audit Commission confirmed that a key principle would be to support continuity and a smooth handover.

The exact nature of future audits had been subject to consultation. Members noted that the focus would be largely financial with no clarity as yet, regarding how “value for money” would be factored in.

Lynn Hunt assured members that there would be as little disruption to current arrangements as possible.

4. RESOLVED that:-

- (i) the changes to the external auditors be noted; and
- (ii) further reports be received as appropriate.

Treasury Management – Review of Performance 2011/2012

The Finance Officer submitted a report on the Treasury Management performance of the Authority for 2011/2012 in line with best practice as prescribed by the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (2011).

Referring to section 4.1 of the report, Members noted the average rate of the Authority’s borrowing at 3.46% was in the top quartile when benchmarked against other authorities and continues to keep the revenue costs of borrowing low for the Authority as a result. A further saving of £39,000 on debt charge costs was also achieved in the year.

The Finance Officer went on to say that the Authority had benefited from additional investment income during the year of £118,000 in cash terms based on a higher rate of return in 2011/2012 of 0.80% as compared to the benchmark rate of 0.37%. The out performance of the benchmark rate was notable as it had been achieved by still adhering to the Authority’s very prudent Investment Strategy Statement which reflects the priority to ‘protect’ the funds to be invested first and foremost.

Whilst rescheduling of debt was not conducive at the current time, the market was still being monitored on a daily basis to identify any opportunity should it arise.

Members were reminded that the statutory Authorised Borrowing Limit for External Debt for 2011/2012 was £46.363m and the Operational Borrowing Limit for Debt for 2011/2012 was £43.363m had not been exceeded in the year as the maximum external debt level in 2011/2012 was £42.785m.

5. RESOLVED that the Treasury Management Performance of the Authority for 2011/2012 be noted.

Statement of Accounts 2011/2012 (Subject to Audit)

The Finance Officer submitted a report to provide members with a certified copy of the Authority’s Statement of Accounts 2011/2012 (Subject to Audit) on or before 30 June 2012.

The Finance Officer reminded Members that the accounts subject to audit needed only to be certified by the Relevant Finance Officer by 30 June of each year. The accounts once audited however, still needed to be approved by members of the Committee at its meeting in September, as the audited accounts must still be formally approved before 30 September of each year.

Members were referred to the draft Statement of Accounts 2011/2012 (Subject to Audit) (Appendix 3 - tabled at the meeting), the IFRS Summary (Appendix 1) and a Handout IFRS – Changes (Appendix 2).

The Finance Officer explained that whilst the financial performance of the Authority was strong and a prudent approach had been undertaken, the next few years would be extremely challenging for the Authority.

Whilst the accounts were technical in nature, continuous attempts were made to make them as understandable as possible.

Page 7 of the Statement of Accounts outlined both capital and revenue expenditure and explained the net underspends throughout the year. Monies were then transferred to earmarked reserves to assist with dealing with future potential spending pressures identified within the medium term financial strategy.

With regards to borrowing, members were assured that the key statutory Treasury management prudential indicators were monitored on a daily basis and neither limit had been exceeded during 2011/12.

Members were referred to the financial outlook of the Authority and acknowledged the challenges to be faced over the forthcoming years.

The Finance Officer advised the committee that he was happy with the accounts and that they were a good reflection of the strong financial position of the Authority. He explained that the accounts would be submitted for final approval in September once the external auditor had completed their audit work on the certified accounts. The certified accounts submitted were inclusive of the minor changes proposed within the circulated handout provided at the meeting.

6. RESOLVED that the Committee note the Statement of Accounts 2011/2012 (Subject to Audit).

(Signed) G N COOK
Chairman

