

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 27 SEPTEMBER 2010 at
10.30 am

Present:

Mr. J.P. Paterson in the Chair

Councillors Charlton, Clark, M. Forbes, Haley and Woodwark.

In Attendance:-

Steve Nicklin - District Auditor
Lynn Hunt - Audit Commission

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Mr. Cook and Miss Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

7. RESOLVED that the minutes of the last meeting held on 28 June 2010 be confirmed and signed as a correct record.

In response to a question Councillor M. Forbes asked at the last meeting relating to how many ethnic minority staff were employed, the Chief Fire Officer advised that there were currently 32 out of 1200 with an additional two currently attending the training course.

Abolition of Standards for England

The Deputy Clerk submitted a report informing Members that the Government's "Programme of Government" of 20 May 2010 contained a commitment to "abolish the Standards Board Regime".

Members of the Committee were advised that Royal Assent was expected between July and October 2011. This being likely to result in the closure of the organisation between January and March 2012. In the meantime, the local standards framework still existed. Standards for England planned to continue to fulfil its statutory duties and Standards Committees and Monitoring Officers had an obligation to keep the system operating.

It was:-

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

Audited Statement of Accounts 2009-10

The Finance Officer submitted a report which included the Letter of Representation, the Audit Commission's Annual Governance Report relating to the Financial Statements and the Audited Statement of Accounts for the financial year ended 31 March.

Referring firstly to the Letter of Representation (attached at Appendix A), Members were provided with assurances from both the Authority and Sunderland City Council that the financial statements submitted gave a true and fair view of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended. This document was signed by the Finance Officer.

Lynn Hunt and Steve Nicklin then took Members of the Committee through their Annual Governance Report (Appendix B) and advised of their intention to issue an audit report including an unqualified opinion on both the financial statements and value for money.

Although the Authority had been faced with complex changes to Local Government accounting requirements, the financial statements had been prepared to a high standard. Officers had made some amendments as a result of the Auditor's work, but none of these impacted upon the Authority's financial performance for the year, or the levels of reserves and balances.

In relation to value for money, all of the relevant criteria had been met and the Authority continued to manage its finances effectively, whilst at the same time delivering efficiencies and improved outcomes in key areas of activity.

Turning then to the Statement of Accounts 2009/10 (Appendix C), Members were advised that following the audit, the accounts had been amended, for a number of presentational issues, which were set out at Appendix 1, for information.

Councillor Haley referred to the pension interest cost within the Accounts and queried the underspend. The Finance Officer responded by explaining the way in which estimates were drawn up and how changes in valuations affect the Pension Fund. As factors influencing this included, for example, membership and longevity, estimates were only ever of a snapshot in time.

Members of the Committee then commented that they were pleased with the report, and congratulated Officers on the findings.

It was:-

9. RESOLVED that:-

- (i) the Letter of Representation be noted;
- (ii) the contents of the Audit Commissioner's Annual Governance report relating to financial statements be noted; and
- (iii) the amended Audited Statement of Accounts for the financial year ended 31 March 2010 be approved.

Treasury Management – Half Yearly Review of Performance 2010/2011

The Finance Officer submitted a report on the borrowing and Investment Strategy and Performance for 2010/2011 to date, which incorporated the first and second quarterly Treasury Management Reviews.

Members were advised that the Authority was operating within its Authorised Borrowing limit and that there were no areas of concern.

Interest rate forecasts were expected to increase over the next three financial years from its current level of 0.50% to 1.5% by March 2011 and 4.50% by March 2013. As a result, a benchmark financing rate of 4.50% for long-term borrowing was set for 2010/2011.

The Finance Officer advised that with regards to investment, a rate of return of 1.43% had been achieved compared with the benchmark rate of 0.40%. The Investment Policy was currently being monitored to ensure it had flexibility to take full advantage of changes in market conditions.

In view of the current economic climate, the Finance Officer had been given delegated authority to vary the Lending List Criteria and the Lending List itself, should circumstances dictate. These were set out at Appendix A and B of the report and included any changes.

The borrowing strategy for 2010/2011 made provision for debt rescheduling but it would be difficult to refinance long term loans at interest rates lower than those already in place. As a result, no debt rescheduling had been undertaken during 2010/11 as rates had not been considered sufficiently favourable.

Loans totalling 30.5 million had been taken out within the current financial year at favourable rates across a range of periods and within the Authority's target rate of 4.50%.

It was:-

10. RESOLVED that the Treasury Management Performance for 2010/2011, to date, be noted.

Internal Audit Services – 2010/2011 Audit Plan Progress Report

The Head of Internal Audit submitted a report to consider the performance of Internal Audit up to 13 August 2010, the areas of work undertaken, and the Internal Audit opinion regarding the adequacy of the overall system of Internal Control within the Authority.

The work planned for the year included five audits. Two were now complete (Stores and Information Governance at the Emergency Planning Unit), one was ongoing and should be completed by September (Procurement) and the timing of the final two audits had been agreed and would be scheduled in consultation with the relevant managers.

Summarising the Internal Audit work, 20 medium risks were identified and 2 low. Of the 20 medium risks, 14 related to the Information Governance arrangements within the Emergency Planning Unit, where overall arrangements were considered to be unsatisfactory. Recommendations had now been agreed and a follow up audit planned for later in the year to review progress.

The Deputy Chief Emergency Planning Officer assured Members of the Committee that issues were being addressed and policies put in place.

It was:-

11. RESOLVED that the Internal Audit's performance be noted together with the overall opinion throughout the Authority that there continued to be a sound internal control environment.

International Financial Reporting Standards – Progress Report

The Finance Officer submitted a report providing Members of the Committee with an update on the Authority's progress made towards compliance with International Financial Reporting Standards (IFRS) since the initial report made to Committee on 22 March 2010.

Phase 1 was completed by 31 July. A detailed timetable for Phase 2 was about to be finalised, with Phase 3 being managed through the final accounts closure timetable for 2010/2011.

Members were referred to Appendix 1 of the report which outlined the timescale for restating the 2009/10 Statement of Accounts (Phase 2). The main area of concern being that the final guidance on the format of the 2009/2010 IFRS accounts was yet to be released by CIPFA.

A timetable for Phase 3 – production of IFRS compliant accounts for 2010/2011 would be prepared in December. During this phase, relevant Members and Officers would be trained on the specific requirements of IFRS to enable appropriate scrutiny of the revised Statement of Accounts for 2010/2011, to be presented to the Committee in June 2011.

Members were assured that progress to date had been good, with no deviations expected from the timetable at this time. Regular progress reports would continue to be submitted to the Committee.

It was:-

12. RESOLVED that the report and project outline set out at Appendix 1 of the report, be noted.

