

## Item 03 (iii)

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held in  
the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 24 SEPTEMBER 2012 at  
10.30 AM.

### **Present:**

Mr G N Cook in the Chair.

Councillors Mole, Ord, Padgett and Mr Paterson.

### **In Attendance:**

Steve Nicklin (District Auditor –Audit Commission)

Lynn Hunt (Audit Commission)

### **Apologies for Absence**

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

### **Declarations of Interest**

There were no declarations of interest.

### **Minutes**

7. RESOLVED that:-

- (i) the minutes of the meeting of the Governance Committee held on 29 June 2012, Part I, be confirmed and signed as a correct record;
- (ii) the minutes of the meeting of the Governance Committee Panel held on 16 July 2012, Part I, be confirmed and signed as a correct record; and

- (iii) the minutes of the meeting of the Governance Committee Panel held on 30 July 2012, Part I, be confirmed and signed as a correct record.

### **Internal Audit Progress Report**

The Head of Internal Audit submitted a report which set out the performance of Internal Audit up to 31 August 2012, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Appendix 1 of the report detailed performance against the agreed KPIs to date. All KPIs were on target therefore no areas of concern were highlighted to members.

Members were referred to Appendix 2 which included the audit opinion for the audits carried out so far during the year along with the current overall opinion based on the current and two previous years audit work. All areas were either Satisfactory or Good.

Five audits were included in the current year's plan which included:- Local Financial Systems, Training Centre, Purchasing Cards, Catering and Fire Safety Inspections. One of these was complete and the other four were planned in or ongoing.

The Head of Internal Audit went on to say that in addition to this, 19 days were allocated for proactive financial transactions testing to ensure that changes in the back office services had not resulted in a negative impact.

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

### **Treasury Management – Half Yearly Review of Performance 2012/2013**

The Finance Officer submitted a report on the Treasury Management performance for 2012/2013.

The Finance Officer advised the committee that no debt rescheduling had been undertaken in 2012/2013 as rates had not been considered sufficiently favourable. Reference was made to the Authority's interest rate on borrowing which was very low, currently averaging 3.51%. This placing the Authority within the top quartile for achieving one of the lowest borrowing rates in the Country.

Prudential Indicators were regularly reviewed and the Authority was within the limits set. Members were referred to Appendix A of the report which included more detailed Treasury Management information.

The Finance Officer explained that the investment policy was regularly monitored and reviewed to ensure it had flexibility to take full advantage of any changes in market conditions.

Lending limits were recently amended as detailed within Appendices B and C of the report. Members were assured that a prudent approach had been maintained whereby investment opportunities were only considered with AAA rated companies. The Approved Lending List was appended to the report.

The Authority had benefited from additional investment income in the first half of the year of £51,000 in cash terms based on a higher rate of return in 2012/2013 of 0.80% compared to the benchmark rate of 0.43%.

A Risk Analysis of Treasury Management functions had been carried out and included in Appendix D, for information.

Members were advised that there were no real issues to report. It was however highlighted that if the Bank of England lowered the Bank Base Rate (which was an action the MPC had considered recently), then this would have a resultant impact on the benchmark target rate for investments but more importantly would mean lower rates of return on the Authority's investments held. The position was being closely monitored.

Councillor Mole commended the Finance Team on a pleasing report.

9. RESOLVED that the positive progress in implementing the Treasury Management Strategy in 2012/13 be noted.

#### **Audited Statement of Accounts 2011/12**

- (i) Letter of Representation**
- (ii) Letters of Assurance**
- (iii) Annual Governance Report (Audit Commission)**
- (iv) Amended Statement of Accounts**

The Finance Officer submitted a report detailing the Audited Statement of Accounts 2011/2012. The report included a Letter of Representation, Letters of Assurance, the Annual Governance Report and the amended Statement of Accounts.

The Finance Officer reminded members that the Statement of Accounts that was noted by the Authority on 25 June 2012, did not contain any misstatements and the Audit Commission were to formally provide an unqualified opinion on the amended Statement of accounts before the end of September 2012.

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 at Appendix B. This focused upon key points within the financial statements.

The Finance Officer advised Members of a net underspend on a number of budget headings, totalling £1.582 million in the financial year. This reflected strong and robust financial management in 2011/2012 continuing the Authority's strong track record in this regard.

Referring to the net appropriations to and from various earmarked reserves totalling £1.400 million, which were agreed by the Authority in June, the Committee recognised that this was a sensible approach.

With regards to the Capital Programme a net reduction in spending of £2.894 million had arisen in 2011/2012 with most of this, £2.527 million, being as a result of the review of the Vehicle Replacement Programme which was to be both reduced in scale and delayed further into future years so that a more prudent view of vehicle requirements could be considered in the light of potential changes to the service because of the planned government funding reductions.

The Finance Officer then discussed the Authorised Limit for External debt and the Operational Boundary for External debt and explained that neither limits on these two Prudential Indicators had been exceeded during 2011/2012.

The External Auditors spoke to the Annual Governance Report and in doing so advised that this was another positive report for the Authority. With regards to the Financial Statements and supporting working papers it was felt that these had been prepared to a good standard. Most errors identified were presentational in nature and did not affect the Authority's financial position as previously reported to members in June. As a result, an unqualified audit opinion would be issued.

In relation to Value for Money (VFM) the External Auditors concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. A balanced budget had been set (and delivered) in 2011/12, substantial savings were being delivered and financial plans were based on realistic assessments of future funding levels. An Unqualified Value for Money conclusion had therefore been issued.

The committee were then referred to the Letter of Representation and the two Letters of Assurance which focused on the Statement of Management Processes for Discharging Responsibilities and a Statement from those charged with Governance. The committee noted these according to statutory procedures.

Officers from Sunderland City Council were commended and thanked for their much valued support.

10. RESOLVED that:-

- (i) the Letter of Representation be noted;
- (ii) the contents of the ISA 240/250 letter of assurance from management be noted, and the contents of the ISA 240/250 letter of assurance from those charged with governance be approved;

- (iii) the contents of the External Auditors Annual Governance Report be noted; and
- (iv) the amended Audited Statement of Accounts for the Financial Year ended 31 March 2012 be approved.

### **Annual Audit Letter**

The Finance Officer submitted a report detailing the Audit Commission's (AC) Annual Audit Letter (AAL) covering the year 2011/2012. A copy was appended to the report.

Lynn Worth referred the committee to the report which explained that the AAL was extremely positive overall, providing a strong endorsement of the financial management and planning, and governance arrangements in place across the Authority.

The report confirmed that the Authority:

- Had proper arrangements in place to secure financial resilience.
- Had closely monitored its budget during the year to ensure that savings and efficiencies were delivered effectively.
- Despite £3.4m of funding reductions in 2011/2012, had managed to maintain general fund balances at over £3m and had transferred £3m to various earmarked reserves to increase the financial resilience of the Authority and to help it manage the greater reductions in funding planned by the government in future years.
- Had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The committee were reminded that the contents of the AAL recognised the change in both the regime and scope of future audit work to be undertaken.

The Audit Commission went on to thank officers for responding to all queries both in a timely manner and with patience, which had enabled them to carry out their work in an effective way.

The Chair, on behalf of the Authority, thanked the Audit Commission for the service they had provided and also the advice that had been given and the manner in which it had been delivered. Both Steve and Lynn were wished well for the future.

11. RESOLVED that:-

- (i) the positive comments within the report be noted; and
- (ii) the report be referred to the Authority for their consideration.

## **Annual Report 2011/2012**

The Chief Fire Officer, Clerk to the Authority and the Finance Officer circulated the Draft Annual Report for 2011/2012 and requested approval for its publication.

Assistant Chief Fire Officer (ACFO) Brindle referred to the report and explained that it showed that significant progress was being made against long term targets, such as prevention of fire deaths, of which there were three during the reporting period.

Other significant points included:

- 175.5 primary fires per 100,000 population were attended compared with 193.3 in the previous year.
- Over 50,000 Home Safety Checks (HSC) were carried out in 2011/12, including 20,048 carried out on our behalf by partners and 18,189 by operational crews. This had contributed to the reduction in the number of injuries and deaths from accidental fires.
- There had been a 12% reduction in the number of accidental dwelling fires attended.

ACFO Brindle went on to say that whilst the production of an outward looking Annual Report was no longer statutory, it was still compiled as good practice. This would be available on the Authority's website and copies also forwarded to Partners.

Details of the 2011/2012 performance was appended to the report for the information of members. This document had also been scrutinised by members of the Policy and Performance Committee.

12. RESOLVED that the Annual Report 2011/2012 be approved.

### **Local Government (Access to Information) (Variation Order) 2006**

At the instance of the Chairman it was: -

13. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006, the public be excluded during consideration of the remaining business as it contains information relating to any individual or which is likely to reveal the identity of an individual or information relating to applicants to become an employee of the Authority (Local Government Act 1972, Schedule 12A, Part 1, Paragraphs 1 and 2).

(Signed) G N COOK  
Chairman