

Item 3

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 18th MARCH 2013 at 10.30
AM.

Present:

Mr G N Cook in the Chair.

Councillors Gambling, Mole, M. Forbes, Padgett and Price and Mr Paterson.

In Attendance:

Gavin Barker (Mazars)

Apologies for Absence

An apology for absence was submitted to the meeting on behalf of Miss Goodwill.

Declarations of Interest

There were no declarations of interest.

Minutes

14. RESOLVED that the minutes of the meeting of the Governance Committee held on 24 September 2012, be confirmed and signed as a correct record.

Internal Audit Operational Plan for 2013/2014

The Head of Internal Audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Operational Plan for 2013/2014 based upon assessment and risk.

Members were referred to section 3 of the report which detailed the planned audit work for 2013/14 including the time taken to complete these particular audits.

In addition to these, 10 days had been allocated for proactive financial transactions testing and an audit would also be undertaken using the Audit Commissions checklist within the 'Protecting the Public Purse 2012' report.

Each audit was linked to an area of risk, as detailed at Appendix 1 of the report. The Key Performance Indicators used to measure performance of the service throughout the year was shown at Appendix 2.

The Head of Internal Audit explained that when risk assessments were undertaken, a residual risk score was assigned to the key risk area. A discussion then took place in relation to necessary changes for the future, together with implications for the Audit Plan.

In response to a question from Councillor M Forbes relating to whether the Contract Management Audit included the PFI Scheme, the Head of Internal Audit advised that this had been considered separately the previous year. The audit showed positive results for the way in which the service had handled the PFI scheme which provided Members with some level of assurance.

The Head of Internal Audit agreed to circulate a refreshed Plan to the next meeting.

15. RESOLVED that the Internal Audit Operational Plan be noted and endorsed.

Treasury Management – Third Quarterly Review 2012/2013

The Finance Officer submitted a report to advise on the Treasury Management (TM) performance for the third quarter of 2012/2013.

Members were advised that the TM function continued to look at ways of maximising financial savings and increase investment return to the revenue budget. One option was to make savings through debt re-scheduling, however no debt re-scheduling had taken place throughout 2012/2013 as rates had not been considered sufficiently favourable. The Finance Officer highlighted the fact that the Authority's rate on borrowing was very low, currently averaging at 3.51%, therefore the Authority continued to benefit from this low cost of borrowing and from ongoing savings from past debt re-scheduling. More detailed TM information was included at Appendix A of the report for the information of Members.

Prudential Indicators were also regularly reviewed and the Authority was within the limits set for all of its TM Prudential Indicators.

Members were then reminded of the requirement to regularly update the authorised lending list to take into account financial institution mergers and

changes in institutions' credit ratings. The Lending List Criteria at 31 December 2012 was detailed at Appendix B of the report and the Approved Lending List at Appendix C.

16. RESOLVED that:-

- (i) the positive progress in implementing the Treasury Management Strategy and performance for Quarter 3 of 2012/2013 be noted; and
- (ii) the amendments to the Approved Lending List at Appendix C covering the period up to 31 December 2012 be noted.

Treasury Management Policy and Strategy 2013/2014, Including Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016

The Finance Officer submitted a report to inform the Committee on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2013/2014 and to note the Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

The report contained the following appendices:-

Prudential 'Treasury Management' Indicators 2013/2014 to 2015/2016 (Appendix 1)

Treasury Management Policy Statement (Appendix 2)

Treasury Management Strategy Statement for 2013/2014 (Appendix 3)

Interest Rate Forecasts (Appendix 4)

Economic Background (Appendix 5)

Lending List Criteria (Appendix 6)

Approved Lending List (Appendix 7)

The Finance Officer explained that there were no major changes being proposed to the overall Treasury Management Strategy in 2013/2014 which maintained the prudent approach adopted by the Authority in previous years.

Members were asked to consider the Prudential Indicators 2013/2014 to 2015/2016 and approve an authorised limit for external debt of £55.383m in 2013/2014 and an operational boundary for external debt of £50.383m in 2013/2014. The report also included proposals for future years up to 2015/2016.

Although one of the rating agency's had downgraded the UK from its AAA rating there had been little impact on the UK position which was still regarded as strong and safe haven for foreign investors. The other two rating agency's had retained their AAA rating for the UK and the Treasury Management Policy and Strategy Statement had been reviewed and amended to reflect this development.

Mr Paterson questioned why the lead authority did not use external fund managers and was advised that the Authority's Treasury Management

performed within the top quartile when benchmarked against others. External Treasury Management Advisors were however used and this combination of resources placed the Authority in a very good position.

17. RESOLVED that:-

- (i) the 2013/2014 Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) be approved; and
- (ii) the Prudential 'Treasury Management' Indicators for 2013/2014 to 2015/2016 be approved.

External Auditor – Audit Strategy Memorandum for the Year ended 31 March 2013

The Finance Officer submitted a report detailing the new external auditors (Mazars) Audit Plan which notified the Committee of the work that they were proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for 2012/2013.

Gavin Barker spoke to the report and referred Members to the Audit Strategy Memorandum Year ended 31 March 2013, appended to the report. This advised of the nature of the work together with the scale of the fee for the 2012/2013 audit and the assumptions that informed this charge.

Members noted that Mazars, had introduced significantly reduced audit fees for its audit services (40%). Where the scale fees for 2012/2013 were £40,848, in 2011/2012 fees totalled of £68,080.

The Audit Plan also identified the specific areas for the planned audit work as detailed in section 11 of the Audit Strategy Memorandum. The document also set out the protocol the auditors would follow in completing their planned work by providing an audit timeline of key phases of their work and also set out their proposed methods of communication at each stage.

Gavin advised the Committee of Mazar's intention to work closely with the Internal Audit Team for which they had high regard. Mazar's also planned to rely on experts in terms of Sunderland City Council Valuer and Actuaries, to help inform their work.

With regards to value for money, Mazar's was required to reach a conclusion on arrangements to secure economy, efficiency and effectiveness in the use of resources. The conclusion would be base on securing financial resilience and also challenging how the Authority secured economy, efficiency and effectiveness.

Councillor M Forbes questioned the impact of pension liabilities and was advised that these liability costs could be spread over time in order to reduce impact.

18. RESOLVED that:-

- (i) note the contents of the report; and
- (ii) note and welcome the 40% reduced audit fees for the work to be undertaken in 2012/2013, as compared to the previous auditing regime, based on the risk-based approach to audit planning and also note that the fees for 2013/2014 had recently been announced and that these were to be maintained at the 2012/2013 price level.

External Auditor – Audit Progress Report at 29 January 2013

The Finance Officer submitted a report to consider and comment upon the external auditors' first Audit Progress Report covering the period up to early March 2013.

Gavin Barker explained that the Audit Progress Report highlighted key emerging national issues and developments. These included:-

Protecting the Public Purse 2012

Tough Times 2012

Efficiency Review of Fire and Rescue Service

Striking a balance, improving decision making on reserves

Auditing the Accounts 2011/2012: Quality and timeliness of local public bodies' financial reporting

Consultation on 2013/14 audit fees and work programme

VFM profiles and financial ratio tools

Local Government Financial Settlement 2013/2014

Final Accounts Workshops for Finance Staff.

Members were advised that whilst the Authority was not visited as part of Sir Ken Knight's efficiency review, they did provide a written response. A report on findings was expected in spring.

With regards to financial reporting, audit opinions were issued to all fire and rescue authorities by 30 September 2012 and this was the only local government sector achieving a 100% record.

Mazar's had provided a workshop for finance staff on accounting and audit issues. This had been free of charge and had been well received by officers.

A discussion then ensued in relation to council tax collection in particular how the Authority would be affected by the performance of all five metropolitan councils in the area. Members acknowledged the importance of working closely with colleagues in constituent councils in order to mitigate risk as far as possible.

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

(Signed) G N COOK
Chairman

