

Minutes of the meeting of the
GOVERNANCE COMMITTEE held in
the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY, 21 MARCH 2011 at
10.30 am

Present:

Mr. G. Cook in the Chair

Councillors Charlton, Clark, M. Forbes, Haley and Woodwark and Miss G. Goodwill.

In Attendance:-

Lynn Hunt - Audit Commission

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillor Bell and Mr. Paterson.

Declarations of Interest

There were no declarations of interest.

Minutes

13. RESOLVED that the minutes of the last meeting held on 27 September 2010 be confirmed and signed as a correct record.

Annual Report on the Work of the Committee on Standards Issues

The Deputy Clerk to the Authority submitted a report to advise on Standards matters of the Committee, for the information of Members.

Members were reminded that there had been no matters of concern raised or hearings held in the last year. There had also been no local assessments, however four Members of the Committee had general experience of these through their role on Sunderland City Council's Standards Committee.

The Committee had however considered a report on the Government's proposal to overhaul the Standards regime.

It was:-

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

Review of the Standards Regime

The Deputy Clerk to the Authority submitted a report advising Members of proposals with regards to the Standards regime.

Members were advised that the Localism Bill (in place of the Standards Board Regime), provided that Authorities would have a duty to promote and maintain high standards of conduct by Members and would be able to establish their own voluntary Codes of Conduct. Where an Authority adopted a Code of Conduct, it may investigate any complaint of breach, however at present, there was no guidance about this. If an Authority did not adopt a Code of Conduct, the only way of sanctioning poor behaviour would be through the criminal law, where possible, or appeals to the Ombudsman.

There was also provision to the effect that regulations may require Monitoring Officers to establish and maintain a register of interests. The Bill proposed a new offence of non-compliance with the registration regulations, which could result in a fine or disqualification. Prosecutions must be brought by or on behalf of the Director of Public Prosecutions.

In response to a question from Councillor Woodwark, the Deputy Clerk advised that a Code would be adopted for the Authority which would be consistent with legislative requirements.

The Chairman added that regular meetings were held between the Chairs of Standards Committees and Monitoring Officers across the region therefore the new proposals would also be consistent across Tyne and Wear.

It was:-

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

Partnership Behaviour Protocol

The Deputy Clerk to the Authority submitted a report to inform the Committee of a Partnership Behaviour Protocol which had been developed by Standards for England.

Members of the Committee were advised that the Protocol was consistent with the CIPFA Solace Good Governance Framework and the general principles for the conduct of people in public life which were set out in the Relevant Authorities Order 2001 and reflected in the preamble to the Authority's Code of Conduct.

It was suggested that the Protocol could be used to assess the compatibility of Partners by asking them to sign up to some common values and behaviours and could also be used as part of a tendering process, under which potential Partners could be asked if they would be willing to sign up to and provide evidence of the values specified. The Protocol could be adapted, to fit local circumstances.

It was:-

16. RESOLVED that the Partnership Behaviour Protocol be commended to the Authority and that as part of the process of inviting tenders and/or developing future partnership arrangement, in each case consideration be given to the option of incorporation of the Protocol, adapted as appropriate, to fit the circumstances.

Annual Audit Letter, 2009/2010

The Chief Fire Officer, the Clerk to the Authority and the Finance Officer submitted a joint report providing the Committee with an outline of the content of the Audit Commission's Annual Audit and Inspection Letter for 2009/10.

Lynn Hunt referred Members of the Committee to the Annual Audit Letter and highlighted that an unqualified audit opinion on the Authority's 2009/10 financial statements had been issued together with an unqualified value for money conclusion. She went on to explain that the letter also stated that the Authority's financial statements and supporting working papers were prepared to a good standard despite the introduction of complex changes to the accountancy arrangements which Officers of the Authority had had to address.

The Audit Letter also highlighted the fact that the Authority was facing a 25% reduction in formula grant funding over the four year period covering 2011/2015 and acknowledged that this would present challenges. Additionally the letter highlighted the importance of maintaining the Authority's existing performance management arrangements in order to ensure that the services currently available continued to be provided effectively and that any new initiatives could be properly monitored for impact.

Members were advised that although elements of the letter were already out of date, this was a 'snap shot in time', when the assessments were made.

The Chair, on behalf of the Committee, congratulated staff on the findings of the Audit.

It was:-

17. RESOLVED that:-

- (i) the content of the Annual Audit and Inspection Letter for 2009/2010 be noted, and
- (ii) further reports be received as appropriate.

Audit Commission – Audit Opinion Plan 2010/2011

The Chief Fire Officer and the Finance Officer submitted a joint report notifying the Authority of the work that the Audit Commission proposed to undertake in respect of the audit of the financial statements, and the value for money conclusion, for 2010/2011.

The Audit Opinion Plan was appended to the report and advised on the nature of the work to be undertaken as part of the Audit Opinion Plan together with the scale of the fee for the audit and the assumptions that informed this figure. It also identified the specific areas that would be covered by the planned audit work, based upon the risk assessment process.

Lynn Hunt defined a risk as 'an area where work needed to be undertaken' and explained that the following risks had been identified:-

- The Authority was required to implement IFRS requirements in full for the first time in 2010/11;
- The Authority was required to comply with IFRIC12 requirements, and include the assets and associated liabilities of PFI schemes in its financial statements. Phase 1 PFI was brought on balance sheet last year and Phase 2 (Tynemouth Fire Station) a joint PFI scheme, would be included in the accounts for the first time in 2010/11;
- The Authority has interests in a limited company (NEFCCL). These needed to be accounted for in accordance with IFRS and SORP requirements;
- The most significant and complex assertions in the accounts relate to PPE (Fixed Assets) and pension obligations;
- Sunderland City Council provides Support Services, and Treasury Management to the Authority.

Members were assured that, on the basis of these risks identified, a testing strategy would be produced whereby substantive tests would be carried out both before and after draft financial statements had been produced.

Referring to the Value for Money Conclusion the Committee turned to pages 7-8 of the Opinion Plan, in particular the five key risks identified at this stage.

Members were advised that these were not specific to the Tyne and Wear Fire and Rescue Authority but were inherent to the situation. Work within this area was progressing well.

The Chairman referred to the information included within the report which related to the Clarity Project and asked whether this information was readily available. Lynn Hunt responded by advising that the information was already fundamentally held as the Authority was a 'stand alone service' within the City Council's financial processes.

The Chair expressed his own personal concerns that reporting requirements were being enhanced in times of financial pressures and cuts.

Consideration having been given to the matter, it was:-

18. RESOLVED that the Audit Commission's Opinion Plan report in relation to the work to be undertaken in 2010/11 be noted, based upon the Commission's risk-based approach to audit planning.

Internal Audit Strategy and Operational Plan for 2011/2012

The head of internal audit advised that there were 2 parts to the report, the Audit Strategy and Plan for 2011/2012.

The Strategy was last agreed in 2008 and is only presented to the Committee where it is considered that it needs updating. Members were advised that the audit risk assessment process had been updated. Previously this was based upon assessing all of the separate services and systems across the Authority but was not based upon assessing 16 key risk areas, as set out at Appendix 1 of the Strategy. This was a more efficient process and helped focus on the key risk areas.

Referring to the Operational Plan, the head of internal audit highlighted:

- how the Plan had been determined, and referred to the detailed risk assessment at Appendix 1
- that the risk assessment process had been jointly undertaken with the Assistant Chief Fire Officer
- given the positive results of the risk assessment that the work could be kept to a minimum
- the 4 planned audits were set out at section 3 to the report
- a small amount of time had been included to undertake some pro-active counter fraud and error work
- the KPI's for the service were set out at Appendix 2
- progress relating to the Plan and the KPI's would be reported to the Committee mid way through the year

In response to a question from Miss Goodwill querying why premium rate telephone calls had been included on the list for counter fraud work (as opposed to all caslls), the head of internal audit explained that this area was included due to them being easy to exploit and he wanted to confirm that controls were in place and that there were no issues.

It was:-

19. RESOLVED that the proposed Internal Audit Strategy and Operational Plan, be approved.

Treasury Management Policy and Strategy 2011/2012, Including Prudential 'Treasury Management' Indicators for 2011/2012 to 2013/2014

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 2011/2012 and to note the Prudential 'Treasury Management' Indicators for 2011/2012 to 2013/2014 and to provide comments to the Authority on the proposed Policy and indicators where appropriate.

The Finance Officer advised the Committee that no major changes were proposed to the overall Treasury Management Strategy in 2011/2012 which maintained the prudent approach adopted by the Authority in previous years. Particular areas that informed the Strategy included the extent of potential borrowing included in the Capital Programme, the availability of borrowing, and the current and forecast world and UK economic position, in particular forecasts relating to interest rates and security of investments.

Members noted that the current average rate of borrowing at 3.35% was low in comparison with other Local Authorities whilst the current rate earned on investments at 1.49% was higher than the overall benchmark rate. In addition the debt rescheduling undertaken by the lead Authority, had achieved significant savings in interest charges and discounts and these interest savings had been secured for years to come.

Since November 2008 total debt had been rescheduled worth £59.5 million with an ongoing reduction in interest costs of just under £1.0 million per annum. The Authority had benefited from this exercise by £0.278 million on average, per annum, in reduced debt charges over the past three financial years since. Market conditions were under constant review so that the Authority could take a view on the optimum time to carry out further borrowing or debt rescheduling.

In response to a question from Miss Goodwill, the Finance Officer further explained that the 'rescheduling' was primarily carried out on historic debt where more advantageous rates could be applied, given the historically low rates of the current market.

Councillor Haley then asked whether there were disincentives to prudential borrowing and was advised that detail was still awaited in relation to prudential borrowing and any potential curtailments, however prudent measures had been used in the past.

It was:-

20. RESOLVED that:-

- (i) the Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) be noted, and
- (ii) Prudential 'Treasury Management' Indicators be noted.

(Signed) G.N. COOK,
Chairman.

