

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held in  
the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY, 27 JUNE 2011 at  
10.30 am

**Present:**

Mr. G. Cook in the Chair

Councillors Bell, Ord, Padgett and Trueman and Mr J P Paterson.

**In Attendance:-**

Lynn Hunt - Audit Commission  
Steve Nicklin - Audit Commission

**Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillor Watters and Miss Goodwill.

**Declarations of Interest**

Councillor Bell declared a personal interest in relation to item 8 - Audit Opinion Plan – Audit 2010-11 as a Director of the NEFCCL (North East Fire Control Company Limited).

**Minutes**

1. RESOLVED that the minutes of the last meeting held on 21 March 2011 be confirmed and signed as a correct record.

The Chairman proposed a short training / awareness session following the meeting on 18 July to discuss the Terms of Reference for the committee.

## **Internal Audit Annual Report for 2010/11**

The head of internal audit submitted a report to consider the performance of Internal Audit for 2010/11, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Paul Davies referred Members of the committee to the report and explained that all KPI's were achieved with the following exceptions:-

1) The target for the percentage of audits where the number of days between the start of the audit and the end of fieldwork was within twice the budgeted number of days was 75%. Actual performance for the year was 60%. This was due to two of the five audits completed falling outside of the target due to key fire personnel not being available at the time of the audit.

2) Whilst the target of 10 days for the average number of days between the end of fieldwork to issue of the draft report was achieved (8.8 days), a separate target was set to improve upon previous performance (8.3 days). This improvement was not achieved but was not of any concern. The indicator was not considered useful any more and had been removed from 2011/12.

As a result of the audits carried out, a number of recommendations had been made to improve internal control. Of these:- 0 were high, 0 were significant, 37 were medium and 15 were low risk.

The Audit Commission had carried out an independent review of the effectiveness of Internal Audit by reference to the CIPFA Code of Practice for Internal Audit. The Audit Commission concluded that the service continued to comply with the relevant standards.

The report concluded that overall throughout the Authority there continued to be an adequate internal control environment.

Mr Paterson referred to the KPI's detailed within Appendix 1 of the report and asked for clarification of the percentage of audits where the number of days between the start of the audit and the end of fieldwork was within a target of twice the budgeted number of days.

Paul Davies responded by advising that the purpose of this was to encourage auditors to carry out the audit as timely and as promptly as possible. He explained that this prevented audits being spread out over several weeks as it recorded time from start to finish in days.

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

## **Annual Governance Review 2010/11**

The Chief Fire Officer, Clerk to the Authority, the Finance Officer and the Personnel Advisor submitted a joint report to provide details of the findings of the 2010/2011

Annual Governance Review and seeking approval of the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

The Deputy Chief Fire Officer referred members to the flowchart detailed on page 21 of the agenda and explained that functional self assessments and a controls assurance statement was completed by each Area Manager.

The views of all elected members were sought via a questionnaire. Responses were received from 8 members (69%).

This information was then fed into the Annual Governance Statement and revised Code of Corporate Governance.

Appendix C of the report included the 2010/11 Annual Review of Corporate Governance and Internal Control Arrangements Action Plan for 2011/12. Members noted that the development of the Procurement manual was ongoing however had been delayed somewhat by the primacy of the back office reviews. Three new actions were:-

- Review Members induction to the Authority
- Review Member areas of training and development to maintain high standards
- Deliver financial awareness training to better embed value for money principles in procurement decisions.

An induction for Members was taking place on 18 July and feedback from Members would be sought.

3. RESOLVED that:-

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

### **Accounts and Audit Regulations 2011**

The Finance Officer submitted a report to update the Committee of the changes made by the Accounts and Audit Regulations 2011 and the implications for the Statement of Accounts 2010/11 (subject to audit) which, as a result of the changes, did not require the Governance Committee to approve the accounts until after they had been audited.

The intention being to familiarise the Committee with the new format of the accounts, prior to the meeting scheduled for 18 July. The July meeting would enable members to review the accounts and raise any questions on the Statement of Accounts 2010/11 (subject to audit) before the accounts were formally approved at their meeting in September once the audit had been completed in accordance with the new regulations.

The Finance Officer spoke to the report and explained some the main changes. One had simplified and clarified the requirements of the regulations and also separated out the regulations that applied to larger public bodies from those that applied to smaller public bodies was lower than the new threshold limit of £6.5m and thus bringing public sector organisations in line with the limit applied to smaller companies under the Companies Act.

Also, the previous regulations required members to approve the accounts subject to audit before 30 June but this was considered to be out of step with requirements in the private sector where members were made aware of the findings of the audit before they approved the accounts. The change in regulations meant that the accounts subject to audit did not now need to be approved by the Authority although they must still approve the audited accounts on or before 30 September of each year.

A further change was a new requirement for the Finance Officer to certify the presentation of the annual accounts no later than 30 June and must re-certify the accounts before member approval was given in September.

Dennis Napier was then invited to explain the changes to the accounts which had been tabled. These accounts would then be considered again, at the meeting in July. Also attached to the accounts was a summary sheet of changes, for ease of reference by members.

4. RESOLVED that the changes arising from the changes to the Accounts and Audit Regulations 2011 be noted and the Statement of Accounts 2010/11 (subject to audit) be received.

### **Treasury Management – Review of Performance 2010-2011**

The Finance Officer submitted a report on Treasury Management Borrowing and investment performance for 2010/11.

Malcolm Page spoke to the report and explained that the Treasury Management function continued to contribute significant financial savings that were used to provide funding to support the future years capital programme and help support the revenue budget. New loans taken out to replace borrowing repaid as part of previous debt restructuring exercise had led to an ongoing debt interest saving to the Authority of £0.298 million per annum.

The Chairman commended the Lead Authority for the way in which this was carried out.

Referring to section 4.10 of the report members noted that the Authorised Borrowing Limit for External Debt in 2010/2011 was £52.846m with an Operational Boundary of £47.846m. Both the Authorised Limit and the Operational Limit included an element for long-term liabilities relating to PFI schemes and finance leases. These had brought onto the Authority's Balance Sheet in compliance with International Financial Reporting Standards.

The Authority's maximum external debt in 2010/2011 was £38.436m which was well within these limits.

Members were also advised that at 31 March 2011 the Authority had outstanding investments of £27.514m.

5. RESOLVED that the Treasury Management Performance for 2010/11 be noted.

### **Audit Opinion Plan – Audit 2010-11**

The Finance Officer submitted a report together with the Audit Opinion Plan which set out the work the Audit Commission proposed to undertake for the audit of the financial statements for 2010/11.

Lynn Hunt referred members to table 1 of the Audit Opinion Plan, in particular, the following risk areas:-

- 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 the previous year and Phase 2 a Joint PFI Scheme would be included in the accounts for the first time on 2010/11
- The Authority had interests in a limited company (NEFCCL). This needed to be accounted for in accordance with IFRS and SORP requirements.
- The most significant and complex assertions in the accounts related to PPE (fixed assets) and pension obligations, and
- Sunderland City Council provided support services, and treasury management, to the Authority.

The five identified Value for Money risk areas included:-

- A focus on short term management at the expense of longer term financial planning
- The Authority may not maintain adequate arrangements to monitor achievement of key outcome targets and the impact of efficiencies on service quality and provision
- Inadequate action to identify and deliver the required level of financial savings
- Reluctance to challenge established processes or to explore innovative and new ways of delivering activities
- Lack of leadership on prioritising resources, and lack of consultation with staff, stakeholders and the public.

In response to a question from the Chairman asking about timescales for completion of the audit, Lynn advised that the piece of work relating to the accounts still needed to be undertaken and this would begin once the accounts were received.

The Chairman then raised the NEFCCL issue and commented upon the amount of money which had been spent and said he would welcome future information on what this had cost in terms of the national framework. The Chief Fire Officer replied saying that the Authority had not financially contributed to this project.

6. RESOLVED that the contents of the plan be noted.

### **Annual Audit Fee – 2011-12**

The Finance Officer submitted a report setting out the work the Audit Commission intended to cover and the applicable fee for that work for the new financial year (2011/12).

Members noted that the Authority's Scale fee for 2011/12 had been reduced to £68,080 as a result of no inflationary increase and a cut in scale fees of 3%. The continued reduction year on year in the overall audit fees was welcomed.

7. RESOLVED that:-

- (i) the contents of the report be noted
- (ii) the reduced audit fees for the work to be undertaken in 2011/12, based on the Audit Commission's risk-based approach to audit planning be noted.

(Signed) G.N. COOK,  
Chairman.