

Item 3

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 29 JULY 2019 at  
10.30 a.m.

**Present:**

Mr G. N. Cook in the Chair

Councillors Flynn and Woodward and also Mr M Knowles.

**In Attendance:**

Cameron Waddell (Mazars)  
Diane Harold (Mazars)

**Apologies for Absence:**

Apologies for absence were submitted to the meeting on behalf of Councillors Dodds and Kilgour and also Ms. G. Goodwill.

**Declarations of Interest**

The following interests were declared by Members:-

Item 6 – Audited  
Statement of Accounts  
2018/2019

Councillor Flynn declared an interest as a Member of the Pensions Committee and Councillor Woodward declared an interest as he works for the DWP.

**Minutes**

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 31 May 2019 were confirmed and signed as a correct record.

## **Treasury Management – Annual Review of Performance 2018/2019**

The Strategic Finance Manager submitted a report on the Treasury Management performance of the Authority for 2018/2019 in line with best practice as prescribed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.

The Strategic Finance Manager advised Members that the average rate of the lead authority's borrowing at 3.04% compared favourably when benchmarked against other authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison to other Authorities (with an additional budget saving of £111,000 in the financial year).

The Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.65% in 2018/2019 compared to the benchmark rate of 0.51%. To put this into context the Authority had increased interest receipts of £86,000 in 2018/2019 compared to the budgeted position, as a result.

The Committee was then asked to note that the Authority had not exceeded any of its Treasury management Prudential Indicators during 2018/2019. The Authorised Borrowing Limit for External Debt was set at £47.2134m for 2018/2019 and the highest level reached by the Authority of £41.618m during the year, was below this limit.

Councillor Woodwark commented upon the future uncertainties and asked about risks associated with increases, in the current low level rates.

The Strategic Finance Manager advised that the Authority did have a professional advisor and that the opinions of others for example Economists and also the Bank of England, were also taken into consideration. Brexit was now being built into financial forecasts and whilst the market was quite settled at the moment, trends were closely monitored and further reports would be submitted in due course.

Mr Knowles commented that he welcomed the report and in particular, the fact that opportunities were taken to refinance debt, as and when appropriate.

2. RESOLVED that the Treasury Management performance of the Authority for 2018/2019 be noted.

## **Update on Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection Process**

The Chief Fire Officer/Chief Executive (Clerk to the Authority) submitted a report to inform Members of the outcome of the recent inspection of TWFRS by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services.

ACFO Baines advised the Committee that following a comprehensive inspection process, TWFRS had been confirmed as a GOOD service, across three main inspection pillars of Effectiveness, Efficiency and People.

In 2018/2019, HMICFRS would inspect all 45 FRS in England over three tranches. TWFRS was inspected in tranche 2.

Members were advised that HMICFRS carried out a range of activities over several months, with the inspection being completed with 'Fieldwork Week' in February 2019, where a team of 11 inspecting officers examined all Service areas.

During inspection they engaged with a wide range of staff, spoke to 13% of the workforce, visited 9 stations and the Control Room; and collated over 1,300 pieces of evidence.

ACFO Baines explained that HMICFRS reported that they were pleased with performance in keeping people safe and secure. The Inspectorate judged that TWFRS were good at:

- understanding the risk of fire and other emergencies;
- protecting the public through fire regulation;
- responding to fires and other emergencies; and
- responding to national risks
- looking after people
- promoting values and culture, ensuring fairness, and promoting diversity.

Members were advised that the inspection had also been valuable in that it had helped highlight areas where the service could improve to give a consistently good service, for example evaluation of prevention work; ensuring staff training and competency was appropriately monitored and recorded; and ensuring that plans were financially sustainable and approved by the Fire Authority. ACFO Baines referred Members to each element of the report where areas of improvement had been identified, and explained these to the Committee.

The Committee were pleased to note that out the 30 FRS's inspected to date, only 10 (including TWFRS) achieved a 'good' rating across all three areas.

Members referred to the detail of the report and were advised that whilst the Firefighter cost per person per year was higher (£27.60) than the national average (£22.38) this was due to the geography of the area, which was also densely populated, and experienced high levels of deprivation. This meant more full time firefighters were necessary because of higher demands on the service which is a more costly model than other fire service delivery models operated in other parts of the country, where demands were lower.

Councillor Woodward commented that whilst it suggested within the report that number of Road Traffic Accidents (RTAs) could be lowered with education, it seemed unrealistic to place this responsibility on the fire service when it seemed to fit more with the police.

In addition to this, Councillor Woodward referred to the extremely worrying financial position the authority was potentially faced with over the future years and commented

that whilst a plan was in place for the current year, a plan for forthcoming years would be welcomed.

The Chairman, on behalf of the Committee, congratulated the service on an excellent report and thanked officers for their continued hard work which made TWFRS a service to be proud of.

3. RESOLVED that;-

- (i) The contents of the report be noted; and
- (ii) Further reports be received as appropriate.

### **Audited Statement of Accounts 2018/2019**

The Strategic Finance Manager submitted a report to present the Letter of Representation for 2018/2019, and to receive the Audit Completion Report from Mazars LLP concerning the financial statements for 2018/2019. This also provided their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money).

In addition to this, the report presented an audited Statement of Accounts for 2018/2019, which had been revised to take into account the auditor's findings, for approval by members.

The Strategic Finance Manager explained the adjustments which had made and the impact on Core Statements, as detailed at Appendix A of the report.

Cameron Waddell and Diane Harold (Mazars) then presented the findings of the Audit Completion Report and in doing so advised that the audit work was substantially complete with final changes to be addressed within the next few days and advised that an unqualified audit opinion would be issued.

Members were referred to the significant audit risks, in particular the defined benefit liability valuation (pensions) and were advised that the calculation of pension figures, both assets and liabilities, could be subject to significant volatility and included estimates based upon complex interactions of actuarial assumptions.

The Authority had therefore amended its financial statements for additional liabilities arising from Guaranteed Minimum Pension equalisation and the McCloud judgement which impacted on the pension accounting and disclosures for all local authority accounts after the Statement of Accounts subject to audit had already been drafted. Due to their materiality, they were presented as exceptional items in the Comprehensive Income and Expenditure Statement.

With regards to property, plant and equipment valuations, the Authority used a valuation expert to provide information on valuations, however there remained a high degree of estimation uncertainty associated with the revaluations of PPE due to the significant judgements and number of variables involved.

In relation to management override of controls, Members were advised that management at various levels within the organisation were in a unique position to perpetrate fraud due to their ability to manipulate accounting records and prepare fraudulent financial statements by overriding control. Mazars advised that this significant risk applied to all sectors and that there were no issues which had arisen from the audit work undertaken in this area.

Members were then advised that with regards to Value for Money the following criterion were assessed:

- Informed decision-making
- Sustainable resource deployment; and
- Working with partners and other third parties

Having completed the audit work, Mazars were satisfied that in all significant respects TWFR had put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The External Auditors thanked the officers for their patience and co-operation throughout the audit and commended them on the amount of time and effort which had been spent preparing the accounts.

Councillor Woodward asked whether the recommendation in relation to pension payment calculations was due to the fact that this had moved from a paper based to an electronic system and was reminded that in April 2018, the Authority had outsourced the calculation of pensions to West Yorkshire Pension Fund.

Whilst the Authority carried out a high level reasonableness check, Mazars had recommended that the Authority should consider how to strengthen the assurance it had that the data processed by WYPF was accurate. The Strategic Finance Manager advised that these arrangements were now in place and in addition to this, the new providers also now attend meetings of the Pensions Board.

Councillor Woodward then questioned the triviality level and was advised that this was set at 3% across the board and that it was for the Strategic Finance Manager to determine whether accounting adjustments below this level should be amended in the accounts.

4. RESOLVED that:

- (i) the Letter of Representation be approved;
- (ii) the contents of the External Auditor's Audit Completion Report be noted; and
- (iii) the amended Audited Statement of Accounts for the Financial Year ended 31<sup>st</sup> March 2019 be approved, with any further corrections for material errors being delegated to the Chairman, Chief Fire Officer/Chief Executive and the Strategic Finance Manager.

(Signed) G. COOK,  
Chairman

