



Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 30 JULY 2018 at
10.30 a.m.

Present:

Mr G. N. Cook in the Chair

Councillors Dodds, Flynn, Woodwark and Miss G Goodwill.

In Attendance:

Gavin Barker (Mazars LLP)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Burdis and Kilgour and also Mark Kirkham (Mazars LLP) and Mr. M. Knowles.

Declarations of Interest

There were no declarations of interest.

Minutes

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 26 March 2018 were confirmed and signed as a correct record.

Internal Audit Report 2017/2018

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2017/2018, areas of work undertaken and the internal audit opinion regarding the adequacy of the over system of internal control within the Service.

Members were referred to Appendix 1 of the report and were asked to note that all KPI targets had been achieved.

The findings of the 2017/2018 audits had been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas, and an opinion on the adequacy of the overall system of internal control for the Authority. Members referred to the detailed analysis at Appendix 2 of the report.

The number of actions agreed were as follows:-

High – 0
Significant – 2
Medium – 42
Low – 9

The Head of Internal audit explained that the 2 significant risk agreed actions related to an audit of the partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police. These 2 actions had now been followed up with 1 action being fully implemented and the other action being no longer applicable.

Members were then advised that the number of medium risk actions had been higher than usual which was due to the audit relating to partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police, and arrangements in place for the new General Data Protection Regulation (GDPR). These two audits accounted for 31 of the medium risk agreed actions. Follow up of both of these audits had confirmed that 22 of the 31 agreed actions had been fully implemented with a further 6 actions being partially implemented.

Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2017/2018, it was considered that overall throughout the Service there continued to be a good internal control environment.

Councillor Woodward received an explanation in relation to the specific differences between high, medium and low risks. It was agreed that for ease of reference, that a 'traffic light' system would be included within future reports.

2. RESOLVED that the Internal Audit Annual report be noted and endorsed.

Treasury Management – Annual Review of Performance 2017/2018

The Strategic Finance Manager submitted a report on the Treasury Management performance of the Authority for 2017/2018 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).

Members were advised that the average rate of borrowing at 2.87% for the year compared very favourably when benchmarked against other local authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison to other authorities.

The Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.41% in 2017/2018. The increase in the Bank of England Base Rate from 0.25% to 0.50% in November 2017 had little impact on investment rates available and the timing of the increase was further reflected in the benchmark rate for 2017/18 rising only slightly from 0.20% to 0.21% as a result. The 0.41% rate of return in the year therefore was almost double the benchmark rate which was a notable achievement.

The Strategic Finance Manager went on to say that the Authority had not exceeded any of its Treasury Management Prudential Indicators during 2017/2018. In addition, the Authorised Borrowing Limit for External Debt for the Authority which was a statutory limit which must be set each year under section 3(1) of the Local Government Act 2003 was not exceeded. This limit was set at £48.859m for 2017/2018 and the highest level reached by the Authority of £33.806m during the year was well below this limit.

3. RESOLVED that the Treasury Management performance of the Authority for 2017/2018 be noted.

Annual Governance Review 2017/2018

The Chief Fire Officer/Chief Executive (Clerk to the Authority), the Strategic Manager and the Personnel advisor to the Authority submitted a joint report to provide the findings of the 2017/2018 Annual Governance Review and note the report and separately to note the contents of the Annual Governance Statement, which was incorporated into the Statement of Accounts.

ACFO Baines advised Members that there were some changes to the core principles in 2016 within the Framework which saw the six previous principles increased to seven with some slight amendments and variations that were now more aligned to the Authority's values and behaviours.

ACFO Baines went on to describe the Annual Governance methodology and explained that a review had been undertaken by the Corporate Governance Steering Group (CGSG).

Functional Self Assessments and Area Manager Control Assurance Statements had been examined to ensure that all documents had been completed in full and to identify any issues of significance.

The group had also considered the Internal Audit Strategy Report March 2018 and overall it was considered that throughout the Authority there was substantial assurance regarding the internal control environment. There was one audit however,

Partnership Working Arrangements, that provided a moderate assurance arising from the internal audits.

The Corporate Risk Register had been reviewed in April 2018 and the Chief Fire Officer had developed an Action Plan to manage and mitigate the risks identified.

Members were then advised that a questionnaire regarding Corporate Governance was issued to Members. Of those Members who responded (16), they were in agreement that the Authority clearly communicated its purpose and vision, and its intended outcomes for the community and service users and that the Authority conducted business in an open and transparent manner all / most of the time.

The CGSG also considered the Annual Audit Letter and Audit Completion Report prepared by Mazars covering 2016/2017 and it was considered that it gave reassurance that the Authority's overall governance and control arrangements were satisfactory.

ACFO Baines went on to say that an 'After the Incident Survey' was undertaken with customers which recorded a score of 100% overall user satisfaction with regards to the services provided.

Members were advised that the Annual Governance Statement had been drafted taking into account the findings of the review (attached at Appendix A of the report).

Based on the evidence examined, the Authority had robust and effective governance and internal control arrangements in place and the review had not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement.

A small number of actions had been identified to further develop governance and control arrangements in 2018/2019, as detailed within the action plan attached at Appendix C which also incorporated any actions from the previous plan (Appendix B) that were still being progressed.

A discussion ensued in relation to Member training and development whereby the Chairman encouraged all Members of the Committee to suggest and access any training they required.

4. RESOLVED that:-

- (i) the revised Code of Corporate Governance be noted;
- (ii) the Annual Governance Statement for 2017/2018 be noted; and
- (iii) the Corporate Governance Action Plan be noted.

Audited Statement of Accounts 2017/2018

- (i) **Letter of Representation**
- (ii) **Audit Completion Report**

(iii) Audited Statement of Accounts

The Strategic Finance Manager submitted a report to present the Letter of Representation for 2017/2018, to receive the Audit Completion Report received from Mazars LLP concerning the financial statements for 2017/2018 and which 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).

The report also provided an audited Statement of Accounts for 2017/2018. These had been revised to take into account the auditor's findings, for approval by members of the Committee. A complete list of the amendments was set out in Appendix A, for information.

Members were advised that the Authority's Statement of Accounts 2017/2018 (subject to audit) were produced by the statutory deadline of 31st May 2018, and copies were sent by e-mail to all members of the Committee at that time for information and to allow members to both digest and challenge any areas of the accounts they so wished. In accordance with the regulations the Statement of Accounts and the required supporting papers were also lodged on the Authority's website on 31st May 2018 to inform the public of their rights to inspect and challenge the published Statement of Accounts 2017/2018 subject to audit.

There was a planned Governance Committee meeting for 27th May 2018, however reluctantly this had to be cancelled as work was still ongoing with the Accounts to ensure the Authority could meet the statutory deadline of 31st May 2018.

The Strategic Finance Manager explained that the Letter of Representation set out the principles used in preparing the accounts and provided the external auditor with the necessary assurances required by the accounts and audit regulations (this was shown as Item i to the report).

In line with Auditing standards, Mazars LLP had produced an Audit Completion Report (Item ii), in which the external auditor's opinion was given on whether the financial statements gave a true and fair view of the financial position of the Authority as at 31st March 2018 and on its income and expenditure for the year then ended.

Gavin Barker (Mazars LLP) was then invited to explain the findings of Audit Completion Report which in summary showed that:-

- the external auditors proposed to issue an unqualified audit opinion on the financial statements;
- all misstatements identified during the audit had been amended by management;
- the external auditors had not identified any material weaknesses in the accounting and internal control systems;
- the external auditors had not identified any matters required by international auditing standards that should be communicated to Members;

- the external auditors had not identified any other relevant matters relating to the audit that needed to be brought to Members attention;
- the external auditors had reported that the Authority was also to receive an unqualified Value for Money Conclusion, which confirmed that the Authority had proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2018.

Gavin also referred the Committee to the update to the 2017/2018 Audit Completion Report which had been tabled and explained the findings.

Members were advised that testing and valuations were still in progress in relation to Property, Plant and Equipment and with regards to Pensions work, Mazars were still awaiting a response for the request for information from the Auditor of the Tyne and Wear Pension Fund. In addition to this, work on journals testing was still in progress.

An error had been identified in relation to the calculation of a new widow's pension, which was confirmed when it was checked and recalculated by Sunderland City Council. The widow had been underpaid pension of approximately £2,500 in a six month period. As a consequence, testing was undertaken and no errors were found in the additional new widows pensions tested in the year.

Gavin then advised that during the course of the audit they did not encounter any difficulties and that Mazars had the full co-operation of management. Gavin commented that the financial statements were very comprehensive and placed on record thanks to the Finance Team for the much valued excellent working relationship.

Members were then referred to the amended Statement of Accounts 2017/2018 (item iii) which had been circulated together with Appendix A which detailed the adjustments which had been identified during the audit.

Gavin explained that this was his last audit for the Authority and commented that it was an excellent service and wished both Members and Officers well.

5. RESOLVED that:-

- (i) The Letter of Representation (Item i) be approved;
- (ii) The Contents of the External Auditor's Audit Completion Report (Item ii) be noted; and
- (iii) The amended Audited Statement of Accounts for the Financial Year ended 31st March 2018 (Item iii) be approved.

(Signed) G. COOK,
Chairman