

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
Friday 27 May 2022 at
10.30am.

Present:

Item 5 (iii)

Mr G N Cook in the Chair

Councillors Bell, Burdis, Dodds and Keegan together with Mr M Knowles.

In Attendance:

Cameron Waddell (Mazars)

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Flynn and Ord together with Miss Goodwill and the Chief Fire Officer.

Declarations of Interest

There were no declarations of interest.

Minutes

43. RESOLVED that the minutes of the meeting of the Governance Committee held on 7 March 2022 were agreed as a correct record.

Internal Audit Annual Report – 2021-2022

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2021/2022, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Tyne and Wear Fire and Rescue Service.

The Head of Internal Audit advised the Committee that performance of Internal Audit during the year was shown in Appendix 1 of the report and that all KPI's for 2021/2022 were achieved.

The findings of the 2021/22 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. The detailed analysis of these opinions was provided at Appendix 2 of the report.

Members were advised that all opinions were green with the exception of two which were amber (moderate). These related to 'compliance with general data protection regulations' (GDPR) and 'project management arrangements'. The Head of Internal Audit explained that compliance with GDPR was due to delays in work due to COVID which was understandable and that the revised project management arrangements were well designed, however there was just a small number of inconsistencies identified as the new processes were settling in.

The Committee was then advised that as a result of the audits carried out, a number of actions had been agreed to improve internal control. None of these were significant and only a small number were either medium (12) or low (8). Medium risks were followed up and reported back to Committee.

In conclusion the report provided assurance that sufficient audit work was completed within the year to enable an opinion on the service's internal control environment, with no high or significant risk issues being identified.

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 2021/22, it was considered that overall, throughout the Service, there continued to be a good internal control environment

The DCFO assured the Committee that the general data protection regulation had now been sufficiently re-engaged following COVID and that extensive training was now in place for managers therefore a re-visit was welcomed.

Mr Knowles commented that this was an excellent report and questioned whether there were any issues with management. The Head of Internal Audit responded by advising that it was a very positive report and that excellent relationships were in place.

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

Audit Strategy Memorandum 2021/2022

The Finance Director submitted a report detailing the external auditors Audit Plan which notified the Authority 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 the financial year 2021/2022.

Cameron Waddell presented the report and in doing so explained the scope and timescales of the audit and reminded Members of the changes last year which had broadly remained unchanged.

Referring to Section 4 of the report (Significant Risks and Other Key Judgement Areas) Members were advised that 'Management Override of Control' was a mandatory significant risk on all audits due to the unpredictable way in which they could occur. Audit work was therefore performed over accounting estimates, journal entries and significant transactions outside the normal course of business.

The second risk 'Net Defined Benefit Liability Valuation' had been identified due to the financial statements containing material pension entries in respect of retirement benefits. The calculation of these pension figures could be subject to significant volatility and included estimates based upon a complex interaction of actuarial assumptions. This resulted in an increased risk of material misstatement.

Cameron explained that the third significant risk 'Valuation of Property, Plant and Equipment' had been included due to the financial statements containing material entries on the balance sheet as well as material disclosure notes in relation to the Authority's holding of Property, Plant and Equipment (PPE).

The Authority employed a valuation expert to provide information on valuations, however there remained a high degree of estimation uncertainty associated with the valuations of PPE due to the significant judgements and number of variables involved.

In relation to Value for Money (VFM) the Committee was advised that planning and risk assessment work was currently ongoing and no significant weaknesses had been identified to date. Any trivial risks would be reported to the Finance Director and any significant risks reported to the Committee.

Cameron then referred to Mazar's commitment to independence and confirmed that there were no relationships between themselves and the Authority and that ethical requirements had been complied with. In addition, due to rotation policies, he had now reached the end of his tenure with TWFRS therefore rotation arrangements were in place.

Councillor Burdis welcomed the report commenting that the close scrutiny of VFM was very good.

Mr Knowles referred to the alert about the pensions deficit and was advised that last year a clear steer was given on the Authority as a Going Concern and the continuation of the service and explained that there would still be an expectation for a fire service to be provided therefore this had been included in the assessments made.

The Chair on behalf of the Committee, thanked Mazars and staff at TWFRS for the work which had been undertaken.

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

The CIPFA Financial Management Code

The Finance Director submitted a report to provide the Committee with information about the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code) and how the Authority complied with these new standards.

The Finance Director explained that the FM Code set, for the first time, the standards of financial management for local authorities and was based on a series of principals by which authorities should be guided in managing their finances and was supported by specific standards.

Members were advised that there were six principles that had been designed to focus on an approach that would assist in determining whether, in applying standards of financial management, a local authority was financially sustainable. These principles were the benchmarks against which all financial management would be judged, and it was CIPFA's view that all financial management practices should comply with the following key principles:

- Organisational leadership
- Accountability
- Financial Management is Undertaken with transparency at its core
- Adherence to professional standards
- Sources of assurance
- The long-term sustainability of local services is at the heart of all financial management processes

To enable authorities to test their conformity with the CIPFA Statement of Principles of Good Financial Management, the FM Code translated these six key principles into seventeen Financial Management Standards.

The Finance Director referred Members to the seventeen standards as detailed within Section 3.5 of the report and also the results of the detailed assessment of how the authority complied with each standard of the FM Code as detailed at Appendix 1 of the report.

Members were advised that in relation to Standard C (the Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control) that an action had been included to strengthen Members' role and that this had been included to propose more training for Members.

Councillor Burdis welcomed this and commented that training was of paramount importance.

Councillor Bell agreed and proposed that the question mark be removed and instead that it read 'where necessary'. The Finance Director agreed to make this change and republish the document.

The Finance Director then referred to Action G (The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members) and explained that the MTFS covered a 4 year period and not 5 and that this action was a continual process as the MTFS was regularly refreshed and reported to Members.

46. RESOLVED that:-

- (i) The contents of the report be noted; and
- (ii) It be noted that the Authority fully complied with the requirements of the Financial Management Code.

Authority's Status as a Going Concern

The Finance Director submitted a report to consider the Authority's status as a going concern and requesting that the Committee formally recognised this and furthermore recommending that this report was presented to full Authority for information.

The Finance Director advised Members that the report outlined the assessment of the Authority's status as a going concern in line with best practice, which was now considered an annual requirement to reassure both members of the Authority and the external auditor of the Authority's continued status as a going concern.

The provisions in the Accounting Code on the going concern accounting requirements reflected the economic and statutory environment in which local authorities operated. The provisions confirmed that local authorities had no ability to cease being a going concern as local authorities could not be dissolved without statutory prescription, and it would therefore not be appropriate for the Authority's financial statements to be prepared on any other basis than as a going concern.

The Finance Director explained that based on the latest reported forecast presented to members in January 2022, the Authority was projecting a broadly neutral budget position after already taking into account an underspend of £0.703m in November 2021 which was reported to members who agreed to transfer £0.700m to the Transformation and Reform Reserve.

The projected capital outturn position reported in January 2022 for 2021/22 also forecast an overall underspend of £0.347m when compared to the revised budget of £17.848m, although further reductions were envisaged.

Members were referred to the Audited Statement of Accounts 2020/21 and were asked to note that whilst the Authority showed a net liability of £876.227m, most of the implied 'deficit' related to the pensions deficiency of £966.910m.

The Finance Director advised that the fact that all pension costs would never be incurred in one year meant the Balance Sheet Net Worth was effectively being distorted by this reporting standard.

If this accounting requirement was removed, then the Authority had a 'real' net worth of £90.683m. The Authority had assets worth £80.993m and also cash backed reserves of £40.739m which further supported the view that the Authority's Balance Sheet and finances were in fact healthier than implied by the published accounts which must comply with international reporting standards and was as such a going concern.

Members were then advised that the MTFs estimated a £2.3m shortfall in resources however budget savings had yet to be identified and were expected to reduce this position significantly. A pessimistic view on Council Tax collection and Business rates had however, been taken at this stage because of the continuing impact of the pandemic on both income streams.

47. RESOLVED that:

- (i) The Committee agreed that the Authority was considered to be a going concern based upon the assessment in the report and that the Accounts continued to be prepared and approved on that basis; and
- (ii) The report be presented and agreed by the full Authority at its next available meeting.

Annual Governance Statement 2021/2022

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Finance Director submitted a joint report outlining the Annual Governance Statement 2021/2022 which contained details of the most recent review of governance arrangements, set out areas for improvement during the course of the following year and included an updated Code of Corporate Governance following the 2021/2022 annual review.

DCFO Heath explained that the Authority was responsible for putting in place a sound system of control, which included the arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

Members were then referred to the list of principals detailed within Section 2.5 of the report which assisted the Authority in developing and shaping an informed approach to governance.

DCFO Heath then referred to Section 3.2 of the report and highlighted that questionnaires had been forwarded to Members, which provided a self-assessment of compliance with the Code of Corporate Governance/CIPFA/SOLACE principals of good governance.

The Committee was then advised that the review of the effectiveness of the governance framework showed that the arrangements continued to be fit for purpose and assurance could be given that the framework was operating effectively in practice, but that this was subject to the implementation of the outstanding and new improvement actions.

DCFO Heath explained that five actions from the Annual Governance Statement 2020/21 remained outstanding and had been carried forward for completion during 2022/23 and were detailed in Appendix A of the report. In addition, four new improvement actions were identified during the annual governance review 2021/22, for action during 2022/23 and were outlined in Appendix B of the report.

In relation to the outstanding actions, Members were advised of the following:

- Ref 7 – Arrange the Provision of Anti-Fraud and bribery training for TWFRS Members, managers and staff – An inhouse training package for staff was currently being developed and the Service was currently reviewing its anti-fraud and bribery policy. Work in relation to this was therefore ongoing;
- Ref 8 – Further guidance and training required for staff on Privacy Impact Assessment to improve staff understanding of and compliance with PIA requirements – this training was in progress and a user guide on how to complete a DPIA was being designed and would be published for staff use;
- Ref 67 - Roll out training on corporate governance (CG) for the Senior Leadership Team (SLT) including b) info asset management – Training had been undertaken with Department Heads and the information asset policy was to be updated;
- Ref 60 - Information Asset Register (IAR) and recording system to be reviewed, supported by new technology and further training - Department heads were currently reviewing their Information Asset Registers (IARs) and work was ongoing. Supporting policies in relation to IARs and document retention and disposal were being reviewed and an eLearning package was in development;
- Ref 43 - Review and streamline policies and procedures, to include PIA and Equality Impact Assessment (EIA) and support training, to align to new strategic planning framework - The policy and procedure review was completed and an improved process implemented during 2021, which including new templates, an updated procedure / guidance, and training conducted - The equality impact assessments (EIA) and associated documents were published and were in use. Privacy Impact assessments (PIA) were to be incorporated into the policy and procedure documentation and additional PIA / EIA training was to be provided to staff.

DCFO Heath then referred Members to Appendix B (new actions) and explained that:

- Ref 1 - Develop a communication and engagement strategy that set out how the fire and rescue service would continue to effectively engage with both internal and external stakeholders - A communication and engagement strategy was being adopted and communicated;
- Ref 2 - Develop and deliver a structured management development programme for the Senior Management Group - Members of the Senior Management Group would develop appropriate knowledge and skills;
- Ref 3 - Review and improve the Fire and Rescue Service's information governance approach and develop an information governance framework - An

information governance framework had been adopted and communicated;
and

- Ref 4 - Review and where appropriate update the All Personnel Code of Conduct - an updated All Personnel Code of Conduct had been adopted and communicated.

In conclusion, DCFO Heath explained that the review had not identified any weaknesses that would need to be highlighted in the Annual Governance Statement 2021/22 and subject to the implementation of improvements identified for action during 2022/23, the Authority's governance and internal control systems were considered to be effective.

48. RESOLVED that:

- (i) The draft Annual Governance Statement for 2021/22 be noted and endorsed;
- (ii) The content of the Corporate Governance Action Plan 2022/23 which included the new and outstanding actions be noted; and.
- (iii) The revised Code of Corporate Governance be noted.

(Signed) G N COOK
Chair