



## GOVERNANCE COMMITTEE

Meeting of the GOVERNANCE COMMITTEE to be held in the Fire Authority Rooms at the Fire and Rescue Service Headquarters, Nissan Way, Barmston Mere, Sunderland on **MONDAY 30 JUNE 2014 at 10.30am**

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*Please note that the Statement of Accounts (Appendix A) will be printed separately and that a Summary paper (Appendix D) and Handout (Appendix E) will be tabled at the meeting.*

DAVE SMITH,  
Clerk to the Authority.

20 June 2014

Minutes of the meeting  
of the GOVERNANCE  
COMMITTEE held in the Fire  
and Rescue Service  
Headquarters, Barmston Mere  
on MONDAY 17<sup>TH</sup> MARCH  
2014 at 10.30 AM.

**Present:**

Mr G. N. Cook in the Chair.

Councillors M Forbes, Price and Mr Knowles.

The Chairman welcomed Mr Knowles to his first meeting of the Committee.

**In Attendance:**

Gavin Barker (Mazars)

Mark Kirkham (Mazars)

**Apologies for Absence**

Apologies for absence were submitted to the meeting on behalf of Councillors Harrison, Mole and Padgett and also Miss Goodwill.

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

12. RESOLVED that the minutes of the meeting of the Governance Committee held on 23 September 2013, be confirmed and signed as a correct record.

**Internal Audit Plan for 2014/2015**

The head of internal audit submitted a report to enable the Governance Committee to consider and comment on the proposed Internal Audit Plan and key performance measures for 2014/2015.

Members were advised of the following planned audits:

- Corporate Governance
- Financial Management
- Attendance Management Arrangements
- Building Maintenance
- Procurement
- ICT Disaster Recovery
- Project/Performance Management

Appendix 1 of the report provided the detailed audit coverage, whilst Appendix 2 laid out the overall objectives, Key Performance Indicators and targets for 2014/2015.

Councillor M Forbes referred to the audit of building maintenance (non PFI buildings) and questioned whether a comparison would be made to the PFI management costs. The head of internal audit explained that this was not planned for as the work was limited to the arrangements for the non-PFI buildings.

ACFO Brindle explained that PFI costs were being looked at with CLG so this information would be generated from this piece of work. Findings from this would be reported to a future meeting.

13. RESOLVED that the proposed Internal Audit Plan be noted and endorsed.

### **Treasury Management Policy and Strategy 2014/2015, including Prudential 'Treasury Management' Indicators for 2014/2015 to 2016/2017**

The Finance Officer submitted a report to inform the Authority on the Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2014/2015 and to note the Prudential 'Treasury Management' Indicators for 2014/2015 to 2016/2017 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

Members were advised that there were no major changes being proposed to the overall Treasury Management Strategy in 2014/2015 which maintained the prudent approach adopted by the Authority in previous years.

The Treasury Management Statement was subject to regular review and the strategy adapted to changing financial markets, where appropriate.

Members were asked to note that the current average rate of borrowing at 3.48% was low in comparison with other local authorities whilst the current rate earned on investments was higher than the overall benchmark rate. The Lead Authority's TM performance was also benchmarked and was highly ranked within the top quartiles for both its low average rate of borrowing and also for the rate of return achieved on its investments.

The Finance Officer went on to say that some market experts believed that the Bank of England base rate was likely to, change earlier than others, however TWFRS was

keeping a watching brief and was holding investment shorter term so that funds could be moved accordingly when rates began to increase.

Members were also reminded that there still remained significant risks to the financial markets particularly the risks still prevalent with the weaker economies in the EU eg Greece and Spain and therefore close monitoring of the financial markets was being maintained and informing the Authority's investment policy and decisions..

14. RESOLVED that:-

- (i) the Annual Treasury Management Policy and Strategy (including specially the Annual Borrowing and Investment Strategies) for 2014/2015 be noted and endorsed; and
- (ii) the Prudential 'Treasury Management' Indicators for 2014/2015 to 2016/2017 be noted and endorsed.

### **Audit Strategy Memorandum 2013/2014**

The Finance Officer submitted a report detailing the external auditors (Mazars) 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 2013/2014.

Mark Kirkham spoke to the report and in doing so referred Members to the attached Memorandum which advised on the scope and nature of work together with the fee for the 2013/2014 audit.

Members welcomed the fact that Mazars were to hold their audit fees of £40,848 at last years level for its audit services for the 2013/2014 audit work, which represented a 40% reduction in comparison to the 2011/2012 charge of £68,080.

Mark also explained the way in which they assessed materiality for the Authority and the benchmarks they used and the levels determined, and he invited the views of those charged with governance on the assessment of materiality and indeed, whether they had a different idea of what should be used. At the invitation of the Chair, the Finance Officer explained that she was content with the level assessed.

Members were then referred to the following significant risks and key judgement areas:

- Management override of controls
- Revenue recognition
- Expenditure recognition
- Pension entries (IAS 19)
- Private Finance Initiative (PFI) schemes

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

## **Audit Progress Report – March 2014**

The Finance Officer submitted a report to consider and comment upon the external auditors' (Mazars) regular Audit Progress Report covering the period up to March 2014.

Gavin Barker reminded the committee that a workshop for finance staff on key audit issues was carried out in February and that this was well received by attendees.

Pages 5 and 6 of the Audit Progress report outlined the emerging issues and developments and Members were referred to each of these.

Mr Barker then highlighted to Members the issue of 'Protecting the Public Purse' and explained that no fraud was detected. He went on to say that, although the scope for fraud was more limited in fire and rescue authorities, it was always important to remain alert to the risks of fraud, and it was particularly important to retain adequate levels of internal control when redesigning services and looking for savings in the current challenging economic environment.

The Audit Commission report summarised the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at all fire and rescue authorities, and TWFR was the only government sector achieving a 100% record. Members of the committee commended the Service on this outstanding achievement.

16. RESOLVED that the Audit Progress Report – March 2014 be noted.

(Signed) G N COOK  
Chairman

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 4**

**GOVERNANCE COMMITTEE**

**30 June 2014**

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**Subject: Internal Audit Annual Report – 2013/2014**

**Report of the head of internal audit**

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**1. Purpose of Report**

- 1.1 To consider the performance of Internal Audit for 2013/2014, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

**2. Description of Decision**

- 2.1 The Governance Committee is asked to consider and note the Internal Audit Annual Report.

**3. Key Performance Indicators**

- 3.1 The Internal Audit service measures its performance in terms of Efficiency, Quality and Client Satisfaction. Performance during the year is shown in Appendix 1. Where possible, performance specifically relating to the Authority is included. All but two of the KPI's were achieved, those being:
- The target of 70% of audits to be completed by the target date (from scoping meeting to issue of draft report) was not achieved and actual performance was 57.1% completion to the initial target date set. This was due to negotiated changes to the review timetable, to enable TWFRS management and staff to prepare for, and deal with the industrial action which took place during 2013-14. Work for other clients was reorganised as far as possible but conflicting demands at the year end meant that in some cases the audit fieldwork was completed over a slightly longer period than desired. It should be noted that the findings of audits are discussed with management during the audit. All audits scheduled for 2013-14 were completed within the financial year.
  - The implementation of medium risk recommendations performance for the year was 81% against a target of 90%. To give context to this it should be noted that there were only seven agreed actions not implemented by the target date.

## 4 Summary of Internal Audit Work

- 4.1 All of the audits included within the plan for the year were completed. The findings of these audits have 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 is provided at Appendix 2. The opinions provided from Internal Audit work set out the level of assurance that can be provided for each piece of work and for the risk area overall. The levels of assurance are set out below:

Level of Assurance	Example wording of opinion
Full	The findings of the audit give full assurance. The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. No issues were identified which would prevent objectives being achieved.
Substantial	The findings of the audit give substantial assurance. The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.
Moderate	The findings of the audit give moderate assurance. The majority of the controls evaluated are well designed and appropriate in scope, although they are not always applied consistently and effectively. Issues have been identified that increase the risk of objectives not being achieved and therefore require management attention.
Limited	The findings of the audit give limited assurance. The control framework is not appropriate in design or scope and/or the controls which are in place are not applied consistently and effectively. The issues identified require prompt management attention and, if unresolved, pose a significant risk of objectives not being achieved
None	The findings of the audit give no assurance. The control framework is poor or non-existent. Gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues, if unresolved, pose a significant risk of objectives not being achieved.

- 4.2 As a result of the audits carried out, a number of recommendations have been made to improve internal control. The numbers of recommendations made are shown below:



<b>Categorisation of Risk</b>	<b>Definition</b>	<b>Number Made</b>
High	A fundamental control weakness which presents material risk to the audited body and requires immediate attention by senior management.	0
Significant	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.	0
Medium	There is a control weakness within the system, which presents material risk to the area or service being audited, and management attention is required to remedy the situation within a reasonable period.	15
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	7

- 4.3 The work undertaken did not identify any matters material to the overall internal control environment of the Authority.

## **5. Effectiveness of the System of Internal Audit**

- 5.1 Mazars LLP have carried out an independent review of the effectiveness of Internal Audit by reference to the Public Sector Internal Audit Standards. The review concluded that the service continues to comply with the relevant standards.

## **6. Conclusions**

- 6.1 This report provides assurance that all of the planned audit work was completed within the year, with no significant or high risk issues being identified.
- 6.2 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 2013/2014, it is considered that overall throughout the Authority there continues to be an adequate internal control environment.

## **Background Papers**

Internal Audit Operational Plan 2013/2014 - Governance Committee  
18th March 2013.



Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2013/14			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified.	1) All key risk areas covered over a 3 year period	1) Achieved
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	2) Achieved (100%)
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 70%	3) Not achieved (57.1%)
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure recommendations made by the service are agreed and implemented.	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	2) 100% for high and significant. 90% for medium risk	2) High and significant – n/a Medium not achieved (81%)
Client Satisfaction			
Objectives	KPI's	Targets	Progress
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	1) Achieved (Average score for last 12 months is 1.0)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) None undertaken
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) Two compliments received and no complaints



## Internal Audit Coverage

Key Risk Area	Planned Audits	Level of Assurance from audits undertaken 2013/14	Level of Assurance from Previous 3 years work
Corporate Governance			Substantial
Service / Business Planning, IRMP	IRMP Community Fire Safety (Home Safety Inspections)	Substantial Substantial	Substantial
Financial Management	Local Financial Systems Financial Transactions Testing	Substantial	Substantial
Risk Management	Risk Management Arrangements	Substantial	Substantial
Procurement and Contract Management	Procurement	Substantial	Substantial
Human Resource Management	Payroll and HR Management	Substantial	Substantial
Asset Management			Substantial
ICT	ICT Strategy	Substantial	Moderate
Fraud and Corruption	Financial Transactions Testing	Substantial	Substantial
Information Governance	Community Fire Safety (Home Safety Inspections)	Moderate (from audit of Community Fire Safety and follow up work on Data Handling Guidelines)	Moderate
Business Continuity and Contingency Planning			Moderate
Performance Management			Substantial
Payroll	Payroll and HR Management	Substantial	Substantial
Partnership Working			Moderate
Project Management			Substantial



**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 5**

**MEETING: GOVERNANCE COMMITTEE**

**30 JUNE 2014**

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**SUBJECT: ANNUAL GOVERNANCE REVIEW 2013-14**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY,  
THE FINANCE OFFICER AND PERSONNEL ADVISOR**

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## **1 INTRODUCTION**

- 1.1 The purpose of this report is to provide details of the findings of the 2013-2014 Annual Governance Review and seek approval of the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

## **2 BACKGROUND**

- 2.1 In 2001 the Society of Local Authority Chief Executive's (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) jointly published '*Corporate Governance in Local Government: A Keystone for Community Governance Framework and Guidance Note*'. In line with the guidance contained in this document the Authority introduced its first local Code of Corporate Governance (the Code), approved by Members, in 2003.
- 2.2 Annual reviews of the Code have taken place to ensure that it remains up to date and effective. Minor updates to the Code have also been carried out to address any issues identified during the reviews. The Code was last updated in June 2012.
- 2.3 The Authority has a statutory duty to prepare an Annual Governance Statement, as enshrined in the Accounts and Audit (England) Regulations 2011.
- 2.4 The Fire and Rescue National Framework 2012 placed a further duty on fire and rescue authorities to produce a public facing Statement of Assurance. This was first published in 2013 incorporated in the Authority's Annual Report.
- 2.5 National guidance on good governance in public bodies has been regularly updated over the years, and the Authority's code takes account of the most recent framework, '*Delivering Good Governance in Local Government*', produced in 2007 and updated in 2012 by CIPFA and SOLACE. This

describes the principles of good governance particularly as they apply to local authorities, drawing out these authorities' role in community leadership.

2.6 The framework identifies four key roles of a local authority as follows:

- To engage in effective partnerships and provide leadership for and with the community;
- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning;
- To perform a stewardship role which protects the interests of local people and makes the best use of resources;
- To develop citizenship and local democracy.

2.7 These four roles are to be borne in mind when considering the six core principles of good governance, as defined in the framework:

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.8 The framework recommends that governance arrangements are kept under review by:

- Considering the extent to which the authority complies with the principles and requirements;
- Identifying systems, processes and documentation that provide evidence of compliance;
- Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- Identifying the issues that have not been addressed adequately in the authority and consider how they should be addressed;
- Identifying the individuals who would be responsible for undertaking the actions required and plan accordingly.

2.9 In carrying out these tasks, the Authority has followed CIPFA's detailed guidance which requires a comprehensive assurance gathering process.



### **3 2013/2014 ANNUAL GOVERNANCE METHODOLOGY**

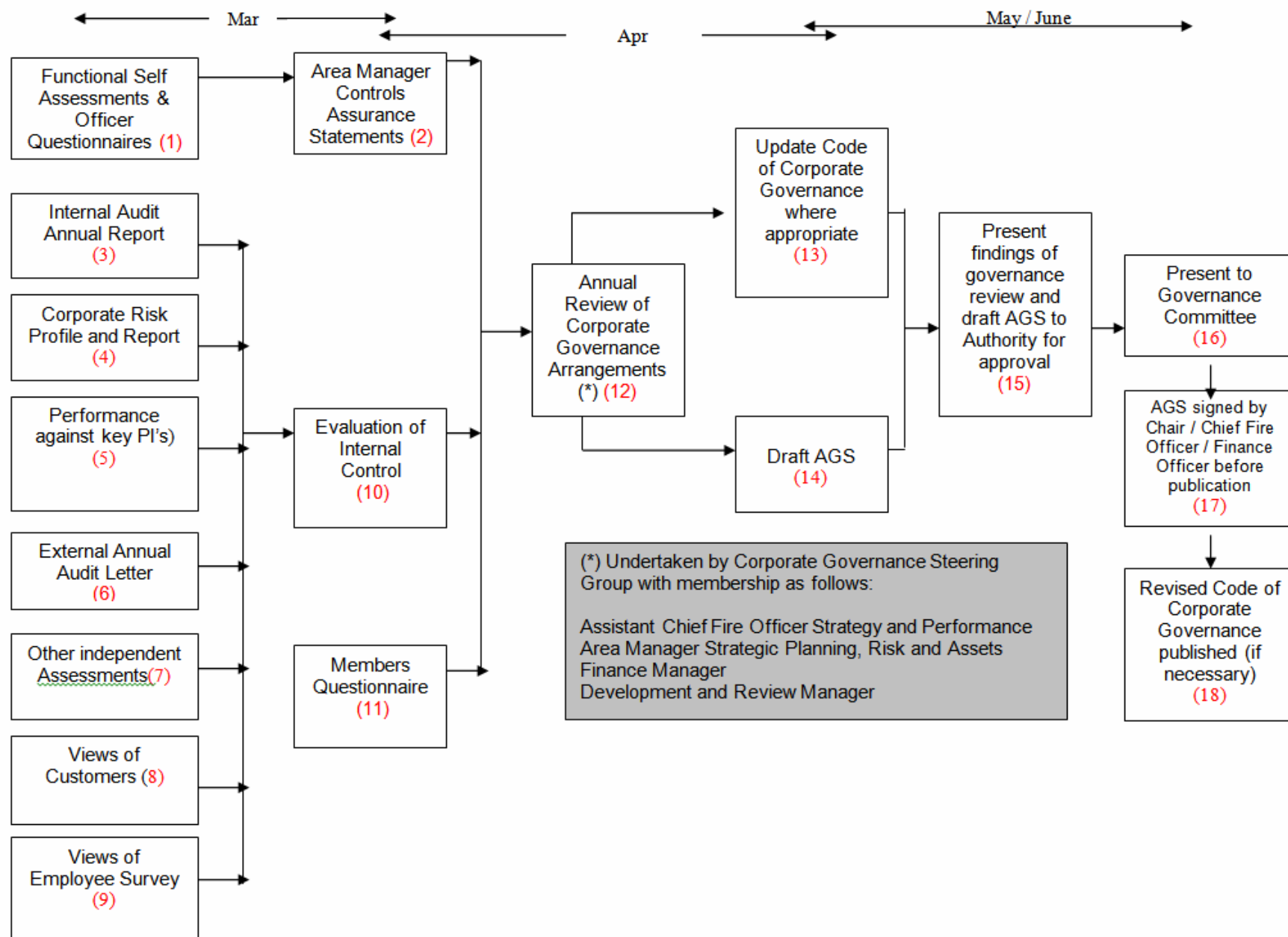
3.1 The review was undertaken by the Corporate Governance Steering Group whose membership is as follows:

- Assistant Chief Fire Officer Strategy and Performance.
- Area Manager Strategic Planning, Risk and Assets.
- Finance Manager.
- Development and Review Manager.

3.2 The review followed the agreed methodology which comprises the following stages:

- Completion of Functional Self Assessments (covering all areas);
- Completion of Department Head/Group Manager questionnaires;
- Area Manager Controls Assurance Statements;
- Completion of Members Questionnaires;
- Detailed analysis and evidencing of internal control arrangements;
- Preparation of an Action Plan to address any issues identified, including revision of the Local Code of Corporate Governance as required;
- Drafting an Annual Governance Statement and Governance Review Report and presenting this to the Strategic Management Team;
- Presenting the Annual Governance Statement and Governance Review Report to the Governance Committee;
- Presenting the Annual Governance Statement and Governance Review Report to the Fire and Rescue Authority; and
- Chair of Fire and Rescue Authority, Chief Fire Officer and Finance Officer to sign Annual Governance Statement.

The above stages are set out diagrammatically on the next page.



- 3.3 **Functional Self Assessments (1)** - Governance and control self-assessments were completed by department heads and approved by all Area Managers. The self-assessments cover compliance with the existing Authority Code of Corporate Governance, as well as key internal control arrangements within each service, and require evidence to be cited in relation to each question, and any significant plans for improvement within their area to be recorded.
- 3.4 **Area Manager Controls Assurance Statements (2)** - Each Area Manager reviewed the information and views compiled through the self-assessment process to come to an opinion on the governance arrangements and internal control environment within their areas of responsibility.
- 3.5 **Evaluation of Internal Control Arrangements (10)** - The Authority's internal control arrangements were assessed in line with guidance from CIPFA's Financial Advisory Network.
- 3.6 **Views of Elected Members (11)** - The views of all Elected Members were sought via a questionnaire.
- 3.7 **Annual Review (12)** - The Group considered all aspects of corporate governance and supporting documentation including the existing Code of Corporate Governance to identify the areas that need to be amended to bring the Code in line with the new framework. Consequently the Group were able to form a view on the adequacy of the Authority's overall governance arrangements for incorporation in the Annual Governance Statement.

## **4 FINDINGS OF THE CORPORATE GOVERNANCE STEERING GROUP**

### **Functional Self Assessments and Area Manager Controls Assurance Statements**

- 4.1 These were examined to ensure that all documents had been completed in full and to identify any issues of significance. It was noted that all Area Managers have identified some future plans for improvement to their governance and control arrangements. The future plans for improvement were summarised and issues highlighted to identify any which were significant in terms of the Authority's overall governance and control environment.
- 4.2 One major action which has affected the Authority's performance is the implementation of the new command and control system which is being closely monitored utilising the Authority's project and contract management protocols.
- 4.3 In addition, a large proportion of the future plans for improvement related to tasks which are already ongoing, which are focused on delivery or which have already been included in existing service plans. Actions of this type are contained within our IRMP or Level 3 plans and as such have not been considered significant to the overall governance and control environment.

- 4.4 Newly identified actions resulting directly from the annual governance review, which have corporate significance, have been included in the Local Code of Corporate Governance as actions to be addressed.

### **Annual Internal Audit**

- 4.5 The Group considered the Internal Audit Annual Report 2012/2013, presented to the Governance Committee in June 2013, along with individual Internal Audits carried out during 2013/14. It was noted that 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 2012/2013, it is considered that overall throughout the Authority there continues to be an adequate internal control environment.

- 4.6 Reviews of the following areas were carried out and were considered satisfactory and substantial assurance is given:

- Fire safety inspections.
- Partnership arrangements.
- Payroll and accounts payable transaction testing.
- Management of purchasing cards.
- Management of local financial systems.

Also audits of catering function and training and development – moderate assurance given on both of these.

- 4.7 Any improvement actions arising from internal audits are included either in the level 3 plans (annual plans) of specific teams, or for actions of Moderate risk or above, monitored directly by SMT.

- 4.8 It was noted that the external auditor, Mazars, has carried out an independent review of the effectiveness of Internal Audit by reference to the new standards for internal audit (UK Public Sector Internal Audit Standards, which apply across the whole of the public sector). This concluded that the service continues to comply with the relevant standards.

### **Corporate Risk Register**

- 4.9 The Corporate Risk Register was considered by the Group. The Corporate Risk Register is a live document regularly updated, monitored and managed by the Corporate Risk Management Group. Of the 17 corporate risks faced by the Authority, the following should be noted that the most significant (high priority) risks are:

- Failure to effectively and safely deploy and manage operational staff and resources at incidents leading to staff and public being exposed to unnecessary risk.

- Risk that spending and/or policy decisions of one of our partners has a negative impact on our collaborative work and therefore a detrimental impact on the communities that we serve.
  - Risk that a spending decision of one of our partners has a detrimental impact on the delivery of some of our services, Safetyworks, Phoenix, Princes Trust, etc.
  - Risk that further budget cuts will mean that we have to make decisions that will affect the delivery of front-line services from 2013/14.
  - Inability to continue diversification of the workforce year on year results in the Authority not realising the benefits in terms of service delivery and community engagement and missed targets.
  - Industrial unrest nationally and/or locally with regard to conditions of service (including on-going organisational change management programmes) results in industrial action and impacts on service delivery.
- 4.10 At the last Corporate Risk Management Group meeting it was agreed to archive three risks and one emerging risk was added to the profile, this concerned the planned national move from the Airwave system across the three emergency services to the Emergency Services Mobile Communications Programme (ESMCP). There are a number of tight deadlines that need to be met to ensure that the transition is completed on time, and this is likely to become a significant project for the organisation in the coming years.
- 4.11 The Chief Fire Officer has developed an action plan to manage and mitigate each risk. Where appropriate these actions have been included in the annual operating plans of the appropriate departments for action as necessary.

### **Performance Management**

- 4.12 The Group considered the Authority's performance management framework and actual performance against key indicators. It was noted that performance has continued to improve during the year.
- 4.13 The Authority's performance management framework was considered with the main issues being:
- Continue to improve performance through a range of improvement activities and evaluation to target specific risks;
  - Continue to improve understanding of performance and risk through partnership working to develop realistic targets and strengthen accountability at a local level.
- 4.14 Plans are in place to address all of the above issues and none are considered significant in terms of the Authority's overall governance and control arrangements.

## **External Auditor Opinion**

- 4.15 The Group also considered the Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering 2012/2013, which gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).
- 4.16 Mazars issued an unqualified conclusion on both financial arrangements and Value for Money, and identified no significant weaknesses in the Authority's arrangements for internal control. Their report included comments that:
- The Authority managed its financial position well. Budget setting was robust and close monitoring ensured delivery of spending within revenue and capital budget limits.
  - The Authority is financially resilient. The Medium Term Financial Strategy sets out how the Authority proposes to deal with the difficult economic climate and the cuts in funding. The Authority has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.
  - Careful financial management has enabled the Authority to build up a good level of earmarked reserves that are set aside for specific plans and projects.
- 4.17 It is considered that the Annual Audit Letter gives reassurance that the Authority's overall governance and control arrangements are satisfactory.

## **Other External Assessments**

- 4.18 The Group examined the results of other external assessments over the past year. These include:
- Investors in People Gold Standard maintained.
  - ROSPA Gold accreditation for the eighth consecutive year.
  - CIPD Diversity and Inclusion in the Workplace Award.
  - Accreditation to International Standard ISO22301 for Business Continuity across all areas of the Service.
  - Equality North East Awards for LGBT Network and Disability Network Group.
  - LGBT North East Award for 'Building Inclusive Workplaces'.
  - Achievement of 8th place in the Stonewall Top 100 Employers Workplace Equality Index. This is the first time a fire and rescue service has entered to the top ten.
  - Shortlisted for the Diverse Company Award in the National Diversity Awards.

- 4.19 Although these assessments are not directly concerned with governance and internal control, they do require systematic arrangements to be in place for the criteria they are assessing, and as such the Group considered that they provide additional assurance as to the control environment in the Authority.

### **Views of customers**

- 4.20 An on-going 'After the Incident Survey' is carried out, the latest results of which recorded a score of 100% overall user satisfaction with regard to the services provided at domestic incidents. This survey also recorded a score of 96% overall user satisfaction for services provided at non-domestic incidents. Satisfaction surveys on fire safety audits and our Home Safety Checks are also carried out.

### **Views of Employees**

- 4.21 A survey of the views of employees is undertaken in relation to a range of issues on a biennial basis. The latest employee survey undertaken indicated that:
- The majority of staff (84%) are satisfied with their current role, are treated fairly at work and are encouraged to take responsibility.
  - 88% of staff think the Authority provides value for money, 47% thinks the Authority minimise bureaucracy and 61% believe it has a 'blame free' culture.
  - 66% of staff have regular team meetings where they are given the opportunity to speak and find out what is happening in their department. 33% of staff feel that communications have improved since the previous survey.
- 4.22 SMT are advised that the above results relate to a survey undertaken during September/October 2012. It is planned to repeat this survey in 2014/2015.

### **Information Governance**

- 4.23 As a result of the most recent information governance audit six actions were agreed, of which five have been fully implemented. A data handling audit was undertaken in 2012 resulting in four improvement actions, two of which have now been completed.

### **Members Questionnaires**

- 4.24 A questionnaire issued to Members asked whether they felt that statements made in the existing Code of Corporate Governance were being met. All of the respondents agreed that the statements in the Code were being met.

### **Meeting the Requirements of the National Framework**

- 4.25 As mentioned in para 2.4 the Fire and Rescue National Framework 2012's requirement for the publication of a statement of assurance was satisfied through its inclusion in the Annual Report, which has been reformatted to become the Annual Report and Statement of Assurance.
- 4.26 Within this report is a section that demonstrates how the Authority meets all of requirements of the Fire and Rescue National Framework. This is reproduced in the diagram on the next two pages.



Requirement	How this is met
Produce an IRMP that identifies and assesses all foreseeable risk	<ul style="list-style-type: none"> <li>• Strategic Community Safety Plan and IRMP</li> <li>• Community Risk Profile</li> <li>• Policies and procedures to implement Plan, including targeting</li> <li>• Specific IRMP reviews including evidence base and consultation</li> <li>• Detailed risk data used in decision making e.g. FSEC, Workload Modelling, MOSAIC</li> <li>• Community Engagement strategy</li> <li>• Monitoring of performance by Performance Action Group and Policy and Performance Committee to ensure risk is being mitigated</li> </ul>
The Plan must demonstrate how prevention, protection and response will be used to mitigate the impact of risk	
Work with communities to identify and protect them from risk	
IRMP should set out the management strategy and risk based programme for enforcing the Regulatory Reform order	
Make provision to respond to incidents and reflect this in IRMPs	
(Accountability) IRMP must be accessible, available, reflect consultation, cover a three year time span and be reviewed and revised as often as necessary; reflect up to date risk analysis and evaluation of community outcomes	
Have effective business continuity arrangements	<ul style="list-style-type: none"> <li>• BS25999 accreditation 2013</li> <li>• ISO22301 accreditation 2014</li> </ul>
Collaborate with other FRAs, other emergency services and LRFs to deliver interoperability	<ul style="list-style-type: none"> <li>• Mutual aid agreements</li> <li>• Local Resilience Forum structures, roles, plans, procedures, exercising records etc.</li> <li>• Common systems for Command and Control with Northumberland FRA</li> </ul>
Engage with the Fire and Rescue Strategic Resilience Board (SRB) to support discussions and decision making on national resilience	<ul style="list-style-type: none"> <li>• Policies and procedures relating to local and national risks</li> <li>• Engagement in Chief Fire Officers Association (CFOA) groups relating to resilience</li> </ul>
Risk assessments must include analysis of any gaps between existing capability and that needed for national resilience, and	

Requirement	How this is met
these must be highlighted to the SRB	
(Assurance) Work collectively and with Strategic Resilience Board to provide assurance that risks are assessed, gaps identified and that resilience capabilities are fit for purpose, and any new capabilities are procured, maintained and managed in the most cost effective manner	<ul style="list-style-type: none"> <li>• As above plus independent assessment via National Resilience Advisory Team (NRAT) audits</li> <li>• External audit of financial systems and value for money</li> </ul>
Work in partnership with their communities and a wide range of partners locally and nationally	<ul style="list-style-type: none"> <li>• Strategic Community Safety Plan and IRMP</li> <li>• Policies and procedures to implement Plan, including targeting</li> <li>• Delivery coterminous with Council boundaries</li> <li>• Engagement in statutory and non-statutory partnerships (Partnerships Register, reports and structures of partnership bodies)</li> </ul>
(Scrutiny) FRAs must hold the Chief Fire Officer to account and have arrangements in place to ensure their decisions are open to scrutiny	<ul style="list-style-type: none"> <li>• Corporate Governance Framework</li> <li>• Standing Orders</li> <li>• Annual review of Governance</li> <li>• Authority minutes</li> </ul>
FRAs must make their communities aware of how they can access data and information on performance	<ul style="list-style-type: none"> <li>• Annual Report and Statement of Assurance</li> <li>• Quarterly performance reports</li> <li>• Compliance with the data transparency code as exemplified on website</li> <li>• Policies and procedures relating to data</li> </ul>
Prepare an annual statement of assurance covering financial, governance and operational matters showing due regard for	<ul style="list-style-type: none"> <li>• Annual Report and Statement of Assurance</li> <li>• Documents signposted from it including Statement of Accounts,</li> </ul>

Requirement	How this is met
IRMP and Fire and Rescue National Framework	Annual Governance Statement, reports of internal and external auditors

## **5 UPDATES TO THE CODE OF CORPORATE GOVERNANCE**

- 5.1 The Code of Corporate Governance has been updated, and the CGSG agreed that it reflected the current SOLACE/CIPFA framework and guidance, "Delivering Good Governance in Local Government 2012". The Code is attached at Appendix A for consideration and approval by Members.

## **6 ANNUAL GOVERNANCE STATEMENT**

- 6.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review. The review has found that only minor improvements are needed to the control environment in a small number of areas. The Annual Governance Statement is attached at Appendix B for consideration and approval by Members.

## **7 REVIEW OF PROCESS FOR GOVERNANCE REVIEW**

- 7.1 The current process for reviewing corporate governance arrangements has been in place for a number of years. A review is being carried out on the process and it is likely that this will be streamlined from 2014/15 to bring it in line with the Sunderland City Council model which was updated in 2012.

## **8 CONCLUSION**

- 8.1 The Authority has robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrate that the principles of good governance are embedded, and independent assurance has been provided on all areas required, as well as some areas not specifically required.
- 8.2 The review has not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement.
- 8.3 A small number of actions have been identified to further develop governance and control arrangements, as detailed in the action plan attached at Appendix C.

## **9 RISK MANAGEMENT**

- 9.1 The annual governance review provides a comprehensive assessment of the organisation's systems of control as referred to in paragraph 3. The Authority's Corporate Risk Profile is used to inform this assessment.

## **10 FINANCIAL IMPLICATIONS**

- 10.1 All financial implications by virtue of this review are contained within existing budgetary headings.

## **11 EQUALITY AND FAIRNESS IMPLICATIONS**

11.1 There are no equality and fairness implications in respect of this report.

## **12 HEALTH AND SAFETY IMPLICATIONS**

12.1 There are no health and safety implications in respect of this report.

## **13 RECOMMENDATIONS**

13.1 The Committee is requested to:

- a) Consider and comment upon the revised Code of Corporate Governance;
- b) Consider and comment upon the Annual Governance Statement;
- c) Receive further reports as appropriate.



# Tyne and Wear Fire and Rescue Authority

## Local Code of Corporate Governance



*Revised April 2014*





## **Local Code of Corporate Governance**

### **INTRODUCTION**

Tyne and Wear Fire and Rescue Authority (the Authority) has a corporate governance framework in place which is aimed at ensuring that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The corporate governance framework comprises the systems, processes, cultures and values through which we direct and controls our functions, and through which we account to, engage with and, where appropriate lead our communities.

The Authority's corporate governance framework is based upon guidance jointly issued by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) and recommended as best practice.

The framework is based upon the following six core principles:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

Each of these six core principles have supporting principles with associated requirements and the following table sets out how the Authority aims to meet these requirements.

## **Annual Governance Review**

The Authority conducts an annual review of the effectiveness of the corporate governance framework including the system of internal control.

A Corporate Governance Steering Group (CGSG) has been established to lead this review. Membership of the CGSG is as follows:

- Assistant Chief Fire Officer Strategy and Performance
- Area Manager Strategic Planning, Risk and Assets
- Finance Manager
- Development and Review Manager

A report on the findings and recommendations arising from the review is presented to the Authority and Governance Committee.

**Core Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area** - We are active members of community area fora and in addition our Strategic Community Safety Plan 2013 – 2018 sets out explicitly our planned key actions and performance targets for *creating the safest community*.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/ Processes in Place to Support Compliance
<p>1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and services users</p>	<ul style="list-style-type: none"> <li>• Further promote our purpose and vision</li> <li>• Review on a regular basis the Authority's vision for the local area and its impact on the Authority's governance arrangements</li> <li>• Ensure that partnerships are underpinned by a common vision that is understood and agreed by all parties</li> <li>• Publish an annual report and statement of assurance on a timely basis to communicate the Authority's activities, achievements, financial position and performance</li> <li>• Evaluate and review partnerships</li> </ul>	<p>Strategic Community Safety Plan/Integrated Risk Management Plan District Plans Departmental Level 3 plans</p> <p>Annual review of Corporate Governance Audit reviews Other independent reviews</p> <p>Partnership Agreements Partnerships Procedure</p> <p>Annual Report and Statement of Assurance Annual Statement of Accounts</p> <p>Evaluation Library (intranet)</p>

**Core Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area** - We are active members of community area fora and in addition our Strategic Community Safety Plan 2013 – 2018 sets out explicitly our planned key actions and performance targets for *creating the safest community*.

<p>2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</p>	<ul style="list-style-type: none"> <li>• Consider how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</li> <li>• A project evaluation toolkit has been introduced to assess quality of service provision</li> <li>• Effective arrangements to identify and deal with failure in service delivery are in place</li> </ul>	<p>Strategic Community Safety Plan/Integrated Risk Management Plan 'After the Incident' Survey Consultation plans Evaluation of performance against Local Indicators</p> <p>Project Evaluation Toolkit and Library</p> <p>Operational Assurance Team Standard Operating Procedures Monitoring Officer</p>
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**Core Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area** - We are active members of community area fora and in addition our Strategic Community Safety Plan 2013 – 2018 sets out explicitly our planned key actions and performance targets for *creating the safest community*.

<p>3Ensuring that the Authority makes the best use of resources and that tax payers and service users receive excellent value for money</p>	<ul style="list-style-type: none"> <li>Value for money is measured and the results considered prior to making decisions. Information needed to review value for money and performance effectively is available to managers and the Authority. The Authority also measures the environmental impact of policies, plans and decisions.</li> </ul>	<p>Strategic Community Safety Plan/IRMP</p> <p>Medium Term Financial Strategy</p> <p>Value for Money Framework</p> <p>Annual Audits</p> <p>Quarterly performance reports</p> <p>Annual Report and Statement of Assurance</p> <p>Statement of Accounts</p> <p>Authority reports</p> <p>SMT reports</p> <p>Environmental Strategy</p> <p>ICT Strategy</p> <p>Procurement Strategy</p> <p>Evaluation Toolkit and Library</p>
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**Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles** - All Authority members and key officer roles and functions are set out in the Authority's Standing Orders and Financial Regulations, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Authority's work.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/ Processes in Place to Support Compliance
1. Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<ul style="list-style-type: none"> <li>• The Authority does not require an executive committee however a clear statement of the respective roles and responsibilities of the scrutiny function is set out including its approach towards putting this into practice.</li> <li>• A clear statement of the respective roles and responsibilities of Authority members, members generally and of senior officers is set out.</li> </ul>	<p>Standing Orders and Financial Regulations</p> <p>Standing Orders and Financial Regulations Delegation Scheme Codes of Conduct Job descriptions Role maps</p>
2. Ensuring that a constructive working relationship exists between Authority members and officers and that the responsibilities of members and officers are carried out to a high standard	<ul style="list-style-type: none"> <li>• A scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation has been agreed and is monitored and updated when required.</li> </ul>	<p>Standing Orders and Financial Regulations Delegation Scheme</p>

**Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles** - All Authority members and key officer roles and functions are set out in the Authority's Standing Orders and Financial Regulations, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Authority's work.

	<ul style="list-style-type: none"> <li>• The Chief Fire Officer is responsible and accountable to the Authority for all aspects of operational management.</li> <li>• Protocols have been developed to ensure that the Chairman and Chief Fire Officer negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• A senior officer is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</li> </ul>	<p>Delegation Scheme</p> <p>Role map Job description Performance Management Standing Orders and Financial Regulations Code of Conduct for Members Code of Conduct for Officers</p> <p>The Finance Officer is the Authority's Section 151 Officer. The Constitution sets out the functions of Section 151 Officer as follows:</p> <ul style="list-style-type: none"> <li>• Ensuring lawfulness and financial prudence of decision making</li> <li>• Administration of financial affairs</li> <li>• Contributing to corporate management</li> <li>• Supporting the Standards Committee</li> <li>• Providing advice</li> <li>• Giving financial information</li> </ul>
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**Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles** - All Authority members and key officer roles and functions are set out in the Authority's Standing Orders and Financial Regulations, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Authority's work.

	<ul style="list-style-type: none"> <li>• A different senior officer is responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.</li> </ul>	<p>The Deputy Clerk is the Authority's Monitoring Officer. The Constitution sets out functions of Monitoring Officer as follows:</p> <ul style="list-style-type: none"> <li>• Maintaining the Constitution</li> <li>• Ensuring lawfulness and fairness of decision making</li> <li>• Receiving reports</li> <li>• Conducting investigations</li> <li>• Proper officer for access to information</li> <li>• Advising whether executive decisions are within the budget and policy framework</li> <li>• Providing advice</li> </ul>
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**Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles** - All Authority members and key officer roles and functions are set out in the Authority's Standing Orders and Financial Regulations, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Authority's work.

<p>3. Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other</p>	<ul style="list-style-type: none"> <li>• Protocols have been developed to ensure effective communication between members and officers in their respective roles</li> <li>• A Pay Policy has been agreed which sets out the terms and conditions for remuneration of officers including an effective structure for managing the review process. In addition, Members allowances are reviewed by an effective remuneration panel as appropriate.</li> <li>• Effective mechanisms exist to monitor service delivery</li> </ul>	<p>Monitoring Officer Protocol Member and Employee Codes of Conduct</p> <p>Members Allowances Scheme National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service Human Resources Committee Pay Policy</p> <p>Strategic Community Safety Plan/Integrated Risk Management Plan District Plans Communication Strategy Consultation plans Value for Money Framework Budget Framework</p> <p>Performance reports Annual Report and Statement of Assurance</p>
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**Core Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles** - All Authority members and key officer roles and functions are set out in the Authority's Standing Orders and Financial Regulations, there is a protocol on member / employee relations and an agreed set of organisational values underpinning all of the Authority's work.

	<ul style="list-style-type: none"> <li>When working in partnership members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority.</li> </ul>	Partnership Agreements
	<ul style="list-style-type: none"> <li>When working in partnership: <ul style="list-style-type: none"> <li>there is clarity about the legal status of the partnership</li> <li>representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</li> </ul> </li> </ul>	Data Sharing Protocols Partnership Procedure
	<ul style="list-style-type: none"> <li>The Authority's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</li> </ul>	Strategic Community Safety Plan/Integrated Risk Management Plan Performance management systems District Plans Communication Strategy Consultation plans

**Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** - All Authority Members and staff are required to act in accordance with codes of conduct and high standards are promoted across the Authority and with its partners.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
1.Ensuring Authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> <li>• The Authority leadership sets a tone for the organisation by creating a climate of openness, support and respect.</li> <li>• Standards of conduct and personal behaviour expected of members and staff, work between members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> <li>• Arrangements are in place to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. The Authority has in place</li> </ul>	<p>Core Values</p> <p>Members' Code of Conduct Employees' Code of Conduct Performance Management Framework</p> <p>Employee Personal Development Programme</p> <p>Members' Code of Conduct Employees' Code of Conduct (incorporating anti fraud and corruption and whistle blowing protocols) Protocol on Member/Employee Relations</p> <p>Members' Code of Conduct Employees' Code of Conduct Financial Regulations Standing Orders</p>

**Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** - All Authority Members and staff are required to act in accordance with codes of conduct and high standards are promoted across the Authority and with its partners.

2. Ensuring that organisational values are put into practice and are effective	appropriate processes to ensure that they continue to operate in practice	Declarations of Gifts and Interests
	<ul style="list-style-type: none"> <li>Shared values including leadership values both for the Authority and staff reflecting public expectations have been developed. These have been communicated with members, staff, the community and partners.</li> <li>Arrangements are in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</li> </ul>	Members' Code of Conduct Employees' Code of Conduct Core Values Vision Leadership and Development Programme  Members' Code of Conduct Employees' Code of Conduct
	<ul style="list-style-type: none"> <li>An effective standards committee is in place.</li> </ul>	Standing Orders sets out role and functions of Standards Committee
	<ul style="list-style-type: none"> <li>Shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority</li> </ul>	Members' Code of Conduct Employees' Code of Conduct Integrated Personal Development System

**Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** - All Authority Members and staff are required to act in accordance with codes of conduct and high standards are promoted across the Authority and with its partners.

		Governance Audit
	<ul style="list-style-type: none"> <li>In pursuing the vision of a partnership, a set of values has been agreed against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively</li> </ul>	Partnership Agreements Partnership Procedure Data Sharing Protocols

**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk -**

The Authority conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"><li>• An effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall and of any organisation for which it is responsible in place</li><li>• Open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based have been implemented.</li><li>• Arrangements are in place to safeguard members and employees against conflicts of interest and to ensure that they continue to operate in practice.</li></ul>	<p>A range of scrutiny committees are in place including: Policy and Performance Committee Human Resources Committee Governance Committee</p> <p>Standing Orders and Financial Regulations Committee and Authority Management and Information System</p> <p>Members' Code of Conduct Employees' Code of Conduct (incorporating anti fraud and corruption and whistle blowing protocols) Code of Corporate Governance</p>
	<ul style="list-style-type: none"><li>• An effective audit committee which is independent is</li></ul>	Register of Gifts and Interests

**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk -**

The Authority conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
	<p>being maintained.</p> <ul style="list-style-type: none"><li>• Effective transparent and accessible arrangements for dealing with complaints have been implemented.</li></ul>	<p>Anti-Fraud and Corruption Policy Governance Committee Independent Chair Independent Member Development for all Members</p> <p>Compliments, Comments and Complaints Procedure Monitoring Officer role</p>
<p>2. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<ul style="list-style-type: none"><li>• Those making decisions, whether for the Authority or a partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</li><li>• Professional advice on matters that have legal or financial implications is available and recorded well in</li></ul>	<p>Evidence based Authority reports</p> <p>Member Induction, Learning and Development Programme Standing Orders and Financial Regulations Delegation Scheme Results of consultation exercises</p> <p>Role of Finance Officer and Deputy Clerk</p>

**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk -**

The Authority conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
	advance of decision making and used appropriately.	
3. Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"><li>• Risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job</li><li>• Arrangements are in place for whistle blowing to which staff and all those contracting with the Authority have access</li></ul>	<p>Risk Management Policy Statement and Strategy Risk Management Framework Risk Management Learning and Development for Members and Officers Internal Audit and Risk Management Protocol Standing Orders and Financial Regulations</p> <p>Employees' Code of Conduct (incorporating anti fraud and corruption and whistle blowing protocols) Whistle blowing arrangements for the public Compliments and Complaints Policy and Procedures</p>



**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk -**

The Authority conducts all business in an open and transparent manner, and has formal processes for declaring relationships or interests to ensure that decision-making is transparent and objective. There is a robust system of scrutiny and effective arrangements for managing risks.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
4. Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"><li>• The Authority actively recognises the limits of lawful activity placed on it by, for example the ultra vires doctrine but also strives to utilise powers to the full benefit of our communities.</li><li>• The Authority recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on the Authority by public law.</li><li>• The Authority observe all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.</li></ul>	Standing Orders and Financial Regulations Monitoring Officer Protocol Audit and Inspection Letter Finance Officer role Deputy Clerk role

**Core Principle 5: Developing the capacity and capability of members and officers to be effective -**

The Authority recognises the importance of having highly skilled and motivated Members and staff to deliver its priorities and to sustain public confidence in its services. The Authority is committed to the development of Members and staff skills, knowledge and performance through programmes of induction, training and development.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"><li>• We provide induction and training programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</li><li>• We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organization.</li></ul>	<p>Member and Officer Induction Programme Integrated Personal Development System Member Learning and Development Programme Workforce Development Plan Investors in People accreditation Stonewall Workplace Equality Index</p> <p>Delegation Scheme Roles and responsibilities defined Finance Officer and Deputy Clerk advisors to the Authority</p>

**Core Principle 5: Developing the capacity and capability of members and officers to be effective -**

The Authority recognises the importance of having highly skilled and motivated Members and staff to deliver its priorities and to sustain public confidence in its services. The Authority is committed to the development of Members and staff skills, knowledge and performance through programmes of induction, training and development.

2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	<ul style="list-style-type: none"><li>Skills required by members and officers are regularly assessed and the Authority is committed to develop those skills to enable roles to be carried out effectively.</li></ul>	Member and Officer Induction Programme Integrated Personal Development System Member Learning and Development Programme Workforce Development Plan
3. Encouraging new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<ul style="list-style-type: none"><li>The Authority actively develops skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed ensuring that effective arrangements are in place for reviewing the performance of the Service as a whole and of individual members and agreeing an action plan which aims to address any training or development needs.</li></ul>	Investors in People Gold award and 'Champion' status Member Learning and Development Programme Leadership Programme Stonewall Workplace Equality Index Equality Strategy Excellent status in Equality Framework for Fire and Rescue Services

**Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability** - The Authority has a consultation framework aimed at ensuring the community is given the opportunity to be involved in, and influence, policy-making, service delivery and evaluation in order to continually improve services.

Aspects of Corporate Governance to be Achieved by Authority to Reflect Best Practice	Practical measures the Authority has taken to reflect compliance	Documents/Processes in Place to Support Compliance
<p>1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p>	<ul style="list-style-type: none"> <li>The Authority makes clear its role and responsibilities to Members, staff and the community.</li> <li>Stakeholders to whom we are accountable are considered and the effectiveness of the relationships assessed with appropriate changes made</li> <li>An annual report on all activities including scrutiny functions is published.</li> <li>External challenge is regularly sought and acted upon</li> </ul>	<p>Strategic Community Safety Plan/Integrated Risk Management Plan</p> <p>Strategic Partnerships User surveys Consultation Plan</p> <p>Annual Report and Statement of Assurance Annual Governance Statement Freedom of Information Publication Scheme External assessment reports</p>
<p>2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning</p>	<ul style="list-style-type: none"> <li>Clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.</li> <li>Meetings are held in public unless there are good reasons for confidentiality.</li> </ul>	<p>Communications Strategy IRMP consultation 'After the Incident' Survey Other user surveys</p> <p>Members of the public may attend all meetings subject to the exceptions set out in the</p>

**Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability** - The Authority has a consultation framework aimed at ensuring the community is given the opportunity to be involved in, and influence, policy-making, service delivery and evaluation in order to continually improve services.

	<ul style="list-style-type: none"> <li>• Arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</li> <li>• A clear policy on the types of issues it will meaningfully consult on or engage with the public and service which includes a feedback mechanism for those consultees to demonstrate what has changed as a result has been established.</li> <li>• An Annual Report and Statement of Assurance is published on an annual basis giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</li> </ul>	<p>Standing Orders</p> <p>Consultation Strategy Focus Groups Community Safety Advocates 'After the Incident' Survey User surveys Community engagement Plan Freedom of Information Publication Scheme</p> <p>Consultation Policy User surveys Community Engagement Plan Freedom of Information Publication Scheme</p> <p>Annual Report and Statement of Assurance Annual Statement of Accounts Strategic Community Safety Plan/Integrated Risk Management Plan</p>
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**Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability** - The Authority has a consultation framework aimed at ensuring the community is given the opportunity to be involved in, and influence, policy-making, service delivery and evaluation in order to continually improve services.

	<ul style="list-style-type: none"> <li>• The Authority ensures that it is open and accessible to the community, service users and its staff and that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</li> <li>• All outwardly facing projects we deliver are evaluated by asking local people and stakeholders</li> </ul>	<p>Standing Orders and Financial Regulations Community Fire Stations Partnership Agreements Partnership Procedure Data Sharing Protocols Community Engagement Plan Freedom of Information Publication Scheme</p> <p>Evaluation Toolkit and Library</p>
<p>3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	<ul style="list-style-type: none"> <li>• A clear policy on how staff and their representatives are consulted and involved in decision making has been implemented</li> <li>• We clearly publish results of consultation and evaluation involving staff</li> </ul>	<p>Joint Consultative Committee Investors in People Representative Body Protocol</p> <p>Evaluation Toolkit and Library</p>

## **Code of Corporate Governance**

### **Glossary of Terms**

#### **Authority Risk Management Group**

A group of senior officers of the Authority tasked with ensuring that the major strategic risks of the Authority are properly identified, managed and minimised.

#### **Consultation Plan**

This is a plan to obtain the views of stakeholders on the efficiency, effectiveness and economy of services and use these results to inform the process of continuous improvement.

#### **Delegation Scheme**

An agreed document setting out the various powers delegated by the Authority to appropriate committees, members and officers.

#### **Freedom of Information Publication Scheme**

This provides details of the classes of information published by the Authority, how the public can access it and whether a charge is levied for accessing the information.

#### **Financial Regulations**

This details the rules of procedure governing the way in which management of the Authority's financial affairs will be conducted.

#### **Investors in People**

Investors in People is a national award which recognises the commitment of an organisation to developing its people in order to achieve its corporate objectives and to improve performance.

#### **Monitoring Officer**

The Monitoring Officer has the responsibility for advising on the legality of the Authority's actions. The Authority has appointed the Head of Legal and Democratic Services, City of Sunderland, as the appropriate officer.

#### **Members Code of Conduct**

Agreed Code set out in the Standing Orders governing how Members must conduct themselves whilst carrying out Authority business or acting as a representative of the Authority.

#### **Officers Code of Conduct**

Agreed Code detailing the standards of conduct expected of all employees whilst carrying out their work for the Authority.

#### **Equality Strategy**

The document that details the Authority's plans to achieve race, gender and disability equality at work and our commitment to support a diverse workforce serving a diverse community.

**Standing Orders**

Rules of procedure governing the way in which the Authority operates, how decisions are made and the procedures which must be followed to ensure all our interactions (including procurement) are efficient, transparent and accountable to the community we serve.

**Strategic Community Safety Plan and Integrated Risk Management Plan**

A risk based document setting out in detail for the Authority the plans, policies, resource allocations and performance targets for the next five years.

**Governance Committee**

A Committee of the Authority set up to promote and maintain high standards of conduct by Members.

**Section 151 Responsibilities**

Under Section 151 of the Local Government Act 1972, the authority must appoint one of its Officers as responsible for the proper financial administration of its affairs. The Authority has appointed the Finance Officer, City of Sunderland, as the appropriate Officer.

**Whistle Blowing Policy**

A policy adopted by the Authority setting out how employees and the public can report matters of concern to the appropriate Officers within the Authority on a confidential basis.



## **TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

### **ANNUAL GOVERNANCE STATEMENT 2013/2014**

#### **1 SCOPE OF RESPONSIBILITY**

- 1.1 Tyne and Wear Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Authority has had a Code of Corporate Governance in place since 2003, revised during 2013/14. The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The revised Code is available on the Authority's website ([www.twfire.gov.uk](http://www.twfire.gov.uk)) or can be obtained from the Fire and Rescue Service Headquarters.
- 1.4 This Statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement of internal control.

#### **2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework primarily includes systems and processes and culture and values by which the Authority directs and controls its activities and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and

objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at the Authority for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Statement of Assurance and Statement of Accounts.

### **3 THE GOVERNANCE FRAMEWORK**

**3.1 There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:**

- The Strategic Community Safety Plan draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with departmental/district service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.
- The Strategic Community Safety Plan incorporates our Integrated Risk Management Plan (IRMP) actions which recognises the risks within the Authority boundaries that are identified in the Community Risk Profile and need to be addressed, and ensures that the available resources are targeted at these risks.
- Communication of objectives to staff and stakeholders takes place through the following means:
  - Distribution of the Strategic Community Safety Plan on the Authority's website and intranet;
  - Consultation with staff, public and stakeholders on IRMP proposals;
  - The issue of an Annual Report and Statement of Assurance setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
  - Through the Authority's Investors in People processes;
  - Posters throughout the Authority's premises;

- Listening events and staff presentations;

**3.2 Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:**

- The Strategic Community Safety Plan, the Integrated Risk Management Plan and all priorities are regularly reviewed to provide a long-term focus for the Authority.
- Through reviews by external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

**3.3 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:**

- There are clear and effective performance management arrangements including personal development plans for all staff, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Strategic Management Team, the Governance Committee and the Policy and Performance Committee.
- Services are delivered by suitably qualified/trained/experienced staff and all posts have detailed job profiles/descriptions and person specifications.
- External auditors deliver an opinion annually on whether the Authority is providing value for money.

**3.4 The roles and responsibilities of all officers and staff are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:**

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.
- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.

- A system of scrutiny is in place whereby the Governance Committee provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and the Policy and Performance Committee scrutinises performance information in respect of the Authority's duty to secure best value and to consider policy initiatives in respect of emerging issues.

**3.5 Codes of Conduct defining the standards of behaviour for Members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:**

- The following are in place:
  - Members' Codes of Conduct;
  - Employees' Code of Conduct;
  - Registers of Interests, Gifts and Hospitality;
  - Monitoring Officer Protocols.

**3.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:**

- The Head of Financial Resources at Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.
- The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
  - Codes of Conduct (incorporating anti fraud and whistle blowing protocols);
  - Health and Safety Policy;
  - Compliments, Comments and Complaints Policy;
  - Corporate Risk Management Strategy;
  - Procurement Codes of Practice;
  - Partnerships procedure;

- Treasury Management Strategy based upon CIPFA's Treasury Management Codes;
- Functional budget management schemes.
- There are robust and well embedded risk management processes in place, including:
  - Risk Management Strategy and Policy Statement;
  - Corporate Risk Profile;
  - Integrated Risk Management Plan;
  - Nominated Risk Manager;
  - Corporate Risk Management Group;
  - Partnerships Risk Register;
  - Member Risk Champion;
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- The Authority has achieved accreditation to ISO22301 and Business Continuity Plans are in place which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

**3.7 The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.**

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it;

- receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;
- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit agencies, including the Annual Audit Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit; and
- make recommendations or comments to the Authority as appropriate.

**3.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:**

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

**3.9 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:**

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.

- The framework in place to ensure the aims of this Policy are met are set out in the Whistle Blowing arrangements which are included in the Employees' Code of Conduct. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there is also a whistle blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of staff and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

**3.10 Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:**

- The Authority has a Members Learning and Development Programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
- The Elected Member Learning and Development Programme aims:
  - To provide comprehensive Member development;
  - To ensure that all newly elected Members are properly inducted into the Authority;
  - To ensure that all emerging needs for both individuals and across the board are identified and addressed;
  - To ensure that resources available for Member development are effectively used.
- The Authority has a Human Resource Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.

**3.11 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

- The Authority has a Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The strategy is complemented by the Community Engagement Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.

**3.12 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:**

- The Authority has published a Partnerships Procedure which includes a template for Partnership Agreements and a Partnership Toolkit. The procedure is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and officers to review existing arrangements.
- A Register of Partnerships is maintained. The deliverables of all prospective and existing partnerships is closely measured using a standard framework.
- A review of all partnerships is presented to the Strategic Management Team on an annual basis.

## **4 REVIEW OF EFFECTIVENESS**

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by feedback from Members and the work of all senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:
- The role of the Authority:
    - Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements;
    - The Chair of the Authority, the Chief Fire Officer and the Finance Officer have overseen the review and signed the Annual Governance Statement.
  - The role of the Strategic Management Team:



- The findings of the Annual Governance Review have been reported to the Strategic Management Team for their consideration and approval of the Annual Governance Statement.
- The role of the Governance Committee:
- The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- A system of scrutiny is in place whereby the Governance Committee provides independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and the Policy and Performance Committee scrutinises performance information in respect of the Authority's duty to secure best value and to consider policy initiatives in respect of emerging issues
- A Standards Committee is also in place in accordance with the Localism Act 2011. The role of this Committee is to:
  - promote and maintain high standards of conduct by the members of the Authority;
  - assist the members of the Authority to observe the Members' Code of Conduct;
  - advise the Authority on the adoption or revision of the Members' Code of Conduct; monitor the operation of the Members' Code of Conduct;
  - advise, train or arrange to train members of the Authority on matters relating to the Members' Code of Conduct;
  - grant dispensations to Members from requirements relating to interests set out in the Members' Code of Conduct so far as not delegated to the Monitoring Officer;
  - deal with written allegations that a member of the Authority (or former member) has failed, or may have failed, to comply with the Members' Code of Conduct;
  - adopt and amend procedures to be followed for investigations and local determination of complaints;

- consider reports of the Monitoring Officer and of the Local Government Ombudsman where they concern the conduct of members of the Authority; and
  - support the Monitoring Officer in his/her role.
- 4.3 All Area Managers have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility and have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments.
- 4.4 Internal audit planning processes include consultation with the Principal Officers, reviews of the Strategic Community Safety Plan, Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based and includes risks in relation to the achievement of service objectives, and Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The external auditor, Mazars, has carried out an independent review of the effectiveness of Internal Audit by reference to the new standards for internal audit (UK Public Sector Internal Audit Standards, which apply across the whole of the public sector). This concluded that the service continues to comply with the relevant standards
- 4.5 The Authority is subject to external audit which was completed by the Audit Commission in 2011/2012; responsibility for this has since passed to Mazars, a private company appointed by the Audit Commission for this purpose. The Annual Audit Letter gives independent assurance of financial control and Value for Money (including financial resilience and the overall efficiency and effectiveness of the Authority).
- 4.6 In the latest Annual Audit Letter Mazars issued an unqualified conclusion on both financial arrangements and Value for Money, and identified no significant weaknesses in the Authority's arrangements for internal control. Their report included comments that:
- The Authority managed its financial position well. Budget setting was robust and close monitoring ensured delivery of spending within revenue and capital budget limits.
  - The Authority is financially resilient. The Medium Term Financial Strategy sets out how the Authority proposes to deal with the difficult economic climate and the cuts in funding. The Authority has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.
  - Careful financial management has enabled the Authority to build up a good level of earmarked reserves that are set aside for specific plans and projects. The latest Value for Money profiles produced by the Audit Commission show that the General Fund Balance was relatively low, and that earmarked reserves are the highest for all fire authorities, reflecting the Authority's managed plans for future spending.

- 4.6 It is considered that the Annual Audit Letter give reassurance that the Authority's overall governance and control arrangements are satisfactory. The outcome of the review of effectiveness was that no significant issues were identified.
- 4.7 Findings of external bodies/audits are collated, acted upon and monitored by the Strategic Management Team.

## **5 ASSURANCE STATEMENTS**

- 5.1 The Strategic Management Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.
- 5.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Tom Wright  
Chair of the Authority

Tom Capeling  
Chief Fire Officer

Sonia Tognarelli  
Finance Officer

30<sup>th</sup> June 2014



## Tyne and Wear Fire and Rescue Authority

## 2013/2014 Annual Review of Corporate Governance and Internal Control Arrangements

## Action Plan 2013/2014

Ref.	Corporate Improvement Objectives	Update	Responsible Officer
10	<ul style="list-style-type: none"> <li>Provide refresher training to managers regarding scrutiny activities</li> </ul>	Rescheduled to Autumn 2014 and included within training on governance	ACO Strategy and Performance
11	<ul style="list-style-type: none"> <li>Update Quality assurance of HSC process</li> </ul>	Complete	AM Community Safety
14	<ul style="list-style-type: none"> <li>Review the Procurement Strategy</li> </ul>	Complete	Finance and Procurement Manager
15	<ul style="list-style-type: none"> <li>Review the standing orders and financial regulations to take account of organisational changes</li> </ul>	Underway with slight delay-will be presented to Authority during 2014	AM Strategic Planning, Risks and Assets
16	<ul style="list-style-type: none"> <li>Enhance the operational inspection process and quality assurance programme for Stations</li> </ul>	Complete	AM Service Delivery
17	<ul style="list-style-type: none"> <li>Provide all relevant staff with a reminder of partnership approval process and update the Partnership Register</li> </ul>	Slipped to August 2014	AM Community Safety
18	<ul style="list-style-type: none"> <li>Prepare the Authority's first Statement of Assurance to comply with National Fire and Rescue Framework 2012</li> </ul>	Complete	AM Strategic Planning, Risks and Assets

19	<ul style="list-style-type: none"> <li>Review Audit arrangements in response to the Local Audit and Accountability Bill 2013</li> </ul>	Complete	AM Strategic Planning, Risks and Assets
20	<ul style="list-style-type: none"> <li>Undertake Operational Assessment and Peer Review</li> </ul>	September 2014 (rescheduled from March 2014)	Strategic Management Team
21	<ul style="list-style-type: none"> <li>Achieve ISO accreditation for Business Continuity (Leadership and Governance)</li> </ul>	Complete April 2014	AM Strategic Planning, Risks and Assets

*Actions 10, 15, 17 and 20 carried forward to 2014-15*

### **Action Plan 2014/2015**

*Four further actions have been added for 2014-15*

<b>Ref.</b>	<b>Corporate Improvement Objectives</b>	<b>Update</b>	<b>Responsible Officer</b>
22	Carry out Your Views Count survey	October 2014	AM Strategic Planning, Risks and Assets
23	Review the members' learning programme	October 2014	AM:HR
24	Further roll out the Risk Management and Assurance Database to cover more areas of the organisation's activities	As per schedule throughout 2014-15	AM Strategic Planning, Risks and Assets
25	Review and update the Whistleblowing and Fraud and Corruption policies to ensure compliance with new guidance	December 2014	AM Strategic Planning, Risks and Assets

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**SUBJECT: AUDIT PROGRESS REPORT – JUNE 2014**

**REPORT OF THE FINANCE OFFICER**

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**1. Purpose of Report**

- 1.1 To enable the Committee to consider and comment upon the external auditors' (Mazars) regular Audit Progress Report covering the period up to June 2014.
- 1.2 The report will be presented by Gavin Barker, the Authority's Senior Engagement Manager.
- 1.3 The reports are a regular feature on this agenda and are aimed at providing updates of the progress made by our external auditor in meeting and fulfilling their role and responsibilities to the Authority.
- 1.4 Members will be pleased to note that early audit work in respect of both the 2013/14 accounts and Value For Money conclusion is progressing well and that no significant issues, that require reporting to members, has resulted from their interim work on the Authority's financial systems.
- 1.5 The report also usefully highlights emerging issues and developments that may be relevant and of interest to members in their role on the Governance Committee. These are detailed in pages 5 to 9 of their report.

**2. Recommendations**

- 2.1 Members are asked to note the attached report.





# **Tyne and Wear Fire and Rescue Authority**

## **Audit Progress Report**

June 2014



# Contents

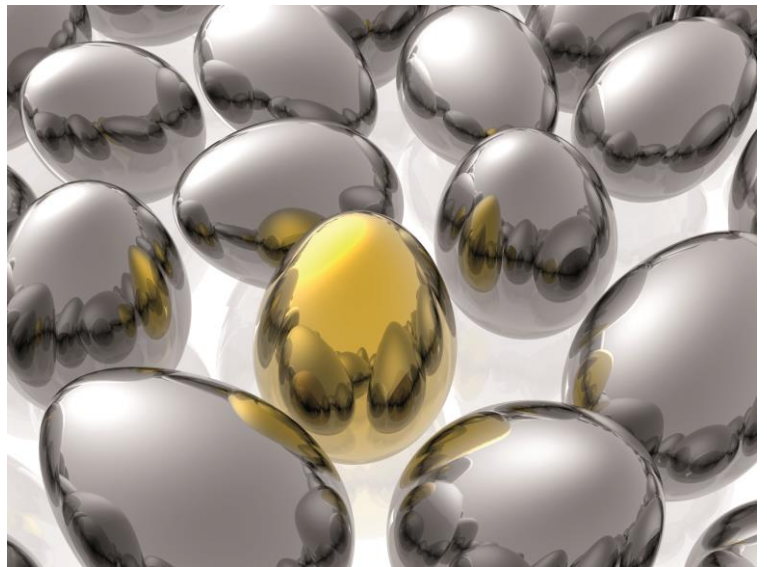
- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

# 01

## Purpose of this paper

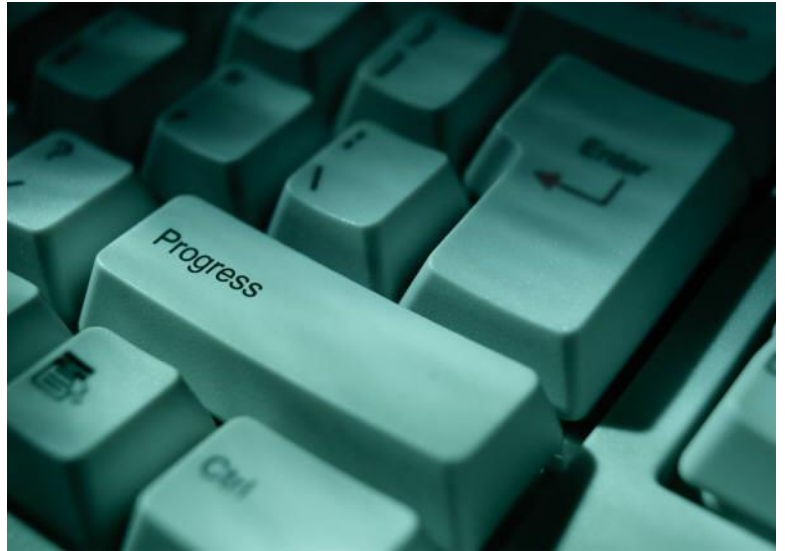


This paper updates the Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

# 02

## Summary of audit progress



Our audit work has continued to progress well.

### **Opinion audit**

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We have maintained a dialogue with officers working on the production of the Authority's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

### **VFM conclusion**

We continue to review the Authority's arrangements to secure VFM in its use of resources. This has included reviewing the Authority's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

# 03

## Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments. Although some of the reports mentioned focus on councils, we have included them to the extent that the messages are still relevant in the fire sector:

- Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation
- Proposed closure of the Audit Commission and the transfer of its functions
- Latest information on Value for Money (VFM) profiles
- Confirmation of 2014/15 work programme and scale of fees
- Audit fee rebates and future reductions

# Emerging issues and developments

Issue / development	Implications
<p><b>Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation</b></p> <p>As discussed at our last meeting, this consultation included whether the local authority accounts production timetable should be brought forward.</p> <p>The results of the consultation have now been published and the responses in relation to the accounts timetable are reproduced below.</p>	<p>If the accounts timetable is brought forward this would impact on the Authority's accounts production processes.</p> <p>The responses to the consultation can be found at:  <a href="https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation">https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation</a></p>

5.12 Question 16 sought views on whether to bring forward the local government accounts timetable and what practical issues this change might raise. Many respondents provided detailed replies, and we are particularly grateful for the information on the practical implications of implementing such a change. A small

number of local authorities and accounting organisations either simply supported an advance of the timetable, or agreed in principle that it was desirable. But most respondents were opposed to a change, or argued that now was not an appropriate time. In many cases opposition was based on a view that the additional work involved in earlier publication could not be justified when public interest in the accounts was so limited and authorities were under financial pressure. Another concern raised was that earlier publication would be achieved at the expense of accuracy, unless additional resources could be devoted to the task.

5.13 A number of more specific practical issues were raised. Many respondents drew attention to the phasing of external audit work that is now possible, with NHS audits undertaken first and then local authority audits. An advance of the local government timetable would compress the auditors' work programme, resulting in extra costs that might be passed on in higher audit fees. Some respondents made a link with the issue of simplification of the accounts raised in responses to question 15 which might assist an advance in the timetable. Reference was also made to some significant accounting developments in prospect in the next few years, such as changes in the valuation of transport infrastructure assets, which would be difficult to achieve when an authority was adjusting to a tighter timetable. Respondents supported the proposal to give notice of a change at least 12 months before the beginning of the year, in some cases recommending a longer period.

Source: DCLG, Consultation on secondary legislation, summary of responses, 10 March 2014



# Emerging issues and developments

Issue / development	Implications
<p><b>Proposed closure of the Audit Commission and the transfer of its functions</b></p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer of management of audit contract functions can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/">http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</a></p> <p>More information on the transfer of counter fraud work to CIPFA can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/">http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</a></p>

# Emerging issues and developments

Issue / development	Implications
<p><b>Latest information on Value for Money (VFM) profiles</b></p> <p>The Audit Commission has continued to promote the use of its VFM profiles.</p> <p>We have previously highlighted in these pages a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine the administration of benefits, central costs, waste management and most recently, the use of assets.</p> <p>As identified earlier in this report, we consider the VFM profiles as part of our work on the VFM conclusion.</p> <p>One question that has now been clarified is that arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the LGA (mentioned in the previous item of this briefing).</p> <p>The Commission has said that the “profiles tool ... brings together data about the cost, performance and activity of local councils and fire authorities. Auditors use the tool to identify areas that need further examination, when working on the VFM conclusion in the annual audit. The Profiles are also widely used by the public, with over 135,000 visits this year to individual pages.”</p>	<p>The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address:</p> <p><a href="http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing">http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing</a></p> <p>The reports on specific topic areas using the VFM profiles are available at the following link:</p> <p><a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>



# Emerging issues and developments

Issue / development	Implications
<p><b>Confirmation of 2014/15 work programme and scale of fees</b></p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p>	<p>Tyne &amp; Wear Fire and Rescue Authority's audit fee for the 2014/15 audit is confirmed as £40,848. This is the same fee as 2012/13 and 2013/14.</p> <p>The fees announcement can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/">http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</a></p>
<p><b>Audit fee rebates and future reductions</b></p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>There continues to be downward pressure on audit fees.</p> <p>These announcements can be found at:  <a href="http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/">http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/</a>  and:  <a href="http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/">http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</a></p>

# 04

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**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 7**

**GOVERNANCE COMMITTEE MEETING**

**30 JUNE 2014**

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**TREASURY MANAGEMENT – REVIEW OF PERFORMANCE 2013/2014**

**REPORT OF THE FINANCE OFFICER**

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**1. Purpose of the Report**

- 1.1 To report on the Treasury Management performance of the Authority for 2013/2014 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).

**2. Description of Decision**

- 2.1 The Committee is requested to note the Treasury Management performance of the Authority for 2013/2014.

**3. Introduction**

- 3.1 Sunderland City Council, as lead authority, performs the treasury management function on behalf of the Authority.
- 3.2 This report sets out the annual borrowing and investment performance for the financial year 2013/2014 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by the Authority on 25<sup>th</sup> March 2013. The Treasury Management Strategy comprises a Borrowing and Investment Strategy which set out the Authority's strategy for borrowing and its policies for managing its investments (which gave priority to the security and liquidity of those investments).
- 3.3 The TM Policy Statement and Strategy complies with best practice, including the Department of Communities and Local Government Investment Guidance which came into effect from 1<sup>st</sup> April 2010 and it incorporates the recommendations included in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The Code of Practice was revised in November 2011 mainly to accommodate the changes to local authority housing finance regulations.

**4. Review of Performance 2013/2014 - Summary**

**4.1 Cost of Borrowing**

The performance of the Authority's Treasury Management function continues to contribute significant financial savings that are used to provide funding to support future years' capital programmes and help support the Authority's revenue

budget. The average rate of the lead authority's borrowing at 3.47% is one of the lowest in the country and is in the top quartile when benchmarked against other authorities. This has helped to keep the revenue cost of the Authority's borrowing low in comparison to other Authorities. Paragraph 5 sets out more details of the Authority's Borrowing Strategy, for the information of members.

#### **4.2 Rate of Return on Investments**

The Authority has benefited from additional investment income during the year of £52,700 in cash terms based on a higher rate of return in 2013/2014 of 0.54% as compared to the benchmarked rate of 0.35%. The investment policy continues to reflect the priority to 'protect' the funds of the Authority first and foremost. More details are set out in paragraph 7 below on the Authority's Investment Strategy and Policy.

#### **4.3 Treasury Management Prudential Indicators**

In summary the Authority has not exceeded any of its Treasury Management Prudential Indicators during 2013/2014. These indicators help to control the day to day Treasury Management activity which is closely monitored to ensure limits set each year by the Authority are not exceeded and which means capital expenditure can be appropriately financed and is affordable within the constraints of the revenue budget.

It is also very important that the Authorised Borrowing Limit for External Debt for the Authority which is a statutory limit which must be set each year under section 3(1) of the Local Government Act 2003 is not exceeded. This limit was set at £55.383m for 2013/2014 and the highest level reached by the Authority of £38.460m during the year was well below this limit. More details of all of the Prudential Indicators are set out in paragraph 6.

### **5. Borrowing Strategy and Performance – 2013/2014**

#### **5.1 The basis of the agreed Borrowing Strategy was to:**

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Authority's future borrowing requirement when market conditions were favourable;
- use a benchmark financing rate of 4.50% for long-term borrowing (i.e. all borrowing for a period of one year or more);
- take advantage of debt rescheduling opportunities as appropriate.

#### **5.2 The Borrowing Strategy has been regularly reviewed by this Committee throughout the year and was updated where necessary to reflect changing circumstances. The Borrowing Strategy for 2013/2014 was based upon the views of the Finance Officer, supplemented with market data, market information and leading economic forecasts provided by the Authority's treasury management adviser, Capita Asset Services (formerly Sector Treasury Services).**

- 5.3 The view in February 2013, at the time the Treasury Management Policy and Strategy was drafted, was that the Bank Base Rate would remain at 0.50% until December 2014 before steadily rising to 1.75% by March 2016 and that PWLB borrowing rates would steadily increase during 2013/2014 across all periods. Economists have revised their forecasts and most are not expecting any change in rates until early 2015 at the earliest, although financial markets have built in an expected increase by the end of this year.

The government announced in the March 2012 budget plans to introduce a 0.20% discount on PWLB loans under the prudential borrowing regime for those authorities that provided “improved information and transparency on their locally determined long-term borrowing and associated capital spending plans” and who successfully applied and were eligible for the lower rate. Sunderland City Council successfully applied to access PWLB loans at a discount of 0.20% and has been successful in extending its access to the PWLB certainty rate until 31<sup>st</sup> October 2014, which the Authority would benefit from should new borrowing be taken out.

- 5.4 The table below shows the average borrowing rates in 2013/2014. The Council did not take out any new PWLB borrowing in 2013/2014 and has instead used internal funds to finance its borrowing requirement. This policy has been taken as there is a short-term revenue cost in taking out new borrowing and PWLB interest rates are anticipated to remain low over the short-term.

<b>2013/2014</b>	<b>Qtr 1 (Apr - June) %</b>	<b>Qtr 2 (July – Sept) %</b>	<b>Qtr 3 (Oct – Dec) %</b>	<b>Qtr 4 (Jan – Mar) %</b>
7 days notice	0.31	0.31	0.35	0.37
1 year	1.02*	1.07*	1.13*	1.18*
5 year	1.75*	2.27*	2.43*	2.60*
10 year	2.81*	3.47*	3.59*	3.64*
25 year	3.95*	4.32*	4.32*	4.31*
50 year	4.09*	4.37*	4.31*	4.27*

\* Rates take account of the 0.2% discount to PWLB rates available to eligible authorities from 1<sup>st</sup> November 2012.

- 5.5 The Treasury Management Strategy for 2013/2014 included provision for debt rescheduling but also stated that because of the proactive approach taken by the Authority in recent years, and because of the very low underlying rate of the Council’s long-term debt it would be difficult to refinance long-term loans at interest rates lower than those already in place.
- 5.6 The lead authority’s borrowing portfolio position (of which the Authority forms a part) at 31<sup>st</sup> March 2014 is set out overleaf:

		<b>Principal (£m)</b>	<b>Total (£m)</b>	<b>Average Rate (%)</b>
<b>Borrowing</b>				
Fixed Rate Funding	PWLB	137.9		
	Market	39.5		
	Other	<u>2.8</u>	180.2	3.92
Variable Rate Funding	Temporary / Other		<u>27.6</u>	0.55
<b>Total Borrowing</b>			<b>207.8</b>	<b>3.47</b>
<b>Total Investments*</b>	All managed In-House		<u><b>187.9</b></u>	
<b>Net Position</b>			<b>(19.9)</b>	

\* Total investments includes monies invested on behalf of the North Eastern Local Enterprise Partnership for whom Sunderland City Council is the accountable body.

## 6. Prudential Indicators – 2013/2014

- 6.1 All external borrowing and investments undertaken in 2013/2014 have been subject to the monitoring requirements of the Prudential Code. Under the Code, Authorities must set borrowing limits (Authorised Borrowing Limit for External Debt and Operational Boundary for External Debt) and must also report on the Authority's performance for all of the other Prudential Indicators as follows:

The statutory limit under section 3(1) of the Local Government Act 2003 (known as the Authorised Borrowing Limit for External Debt) was originally set by the Authority for 2013/2014 in total as £55.383m which was detailed as follows:

	<b>£m</b>
Borrowing	31.206
Other Long Term Liabilities	<u>24.177</u>
<b>Total</b>	<b><u>55.383</u></b>

The Operational Boundary for External Debt for 2013/2014 was set at £50.383m as follows:

	<b>£m</b>
Borrowing	26.206
Other Long Term Liabilities	<u>24.177</u>
<b>Total</b>	<b><u>50.383</u></b>

Both the Authorised Limit and the Operational Limit include an element for long-term liabilities relating to PFI schemes and finance leases. These have been brought onto the Authority's Balance Sheet in compliance with International Financial Reporting Standards (IFRS).

The Authority's maximum external debt in 2013/2014 was £38.460 million (which includes long term liabilities in respect of Public Finance Initiative schemes), and is well within both of the above limits.



- 6.2 The table below shows that all other Treasury Management Prudential Indicators for the lead authority have been complied with during 2013/2014.

Prudential Indicators		2013/2014	
		Limit £'000	Actual £'000
<b>P10 Upper limit for fixed interest rate exposure</b> Net principal re fixed rate borrowing / investments		235,000	90,180
<b>P11 Upper limit for variable rate exposure</b> Net principal re variable rate borrowing / investments		50,000	-3,387
<b>P12 Maturity Pattern</b>		Upper Limit	
Under 12 months		50%	15.99%
12 months and within 24 months		60%	5.41%
24 months and within 5 years		80%	2.67%
5 years plus		100%	79.05%
A lower limit of 0% for all periods			

The Lead Authority is currently within the limits set for all of its TM Prudential Indicators.

## 7. Investment Strategy and Performance – 2013/2014

- 7.1 The general policy objective for the Authority is the prudent investment of its treasury balances. The Authority's investment priorities in order of importance are:
- 1) The **security** of capital;
  - 2) The **liquidity** of its investments and then;
  - 3) The Authority aims to achieve the **optimum yield** on its investments but this is commensurate with the proper levels of security and liquidity.

The Annual Investment Strategy has been fully complied with in 2013/2014.

- 7.2 At 31<sup>st</sup> March 2014 the Authority had outstanding investments of £27.514 million. The table below shows the return made on the Authority's total investments for 2013/2014 compared with the benchmark 7 Day LIBID (London Interbank Bid) rate, which the Authority uses to assess its performance.

	2013/2014 Return %	2013/2014 Benchmark %
<b>In-house Managed Funds</b>	<b>0.54</b>	<b>0.35</b>

- 7.3 All investments placed in 2013/2014 have been made in accordance with the approved Investment Strategy and comply with the Criteria and the Approved

Lending List set by the Authority on 25<sup>th</sup> March 2013 and also taking into account subsequent revisions reported and approved during the year.

The investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions to the benefit of the Authority. Investment rates available in the market have continued at historically low levels and due to the continuing high volatility within the financial markets, particularly in the Eurozone, advice from our Treasury Management adviser is to continue to limit investments to all financial institutions for shorter term periods.

The UK sovereign rating was downgraded to AA+ by Moody's in February 2013 and subsequently by Fitch in April 2013 and these ratings remain. However, our view in conjunction with advice from our advisers is that the above guidance does not apply to institutions considered to be very low risk because the government holds shares in these organisations (i.e. Lloyds TSB and RBS) which we consider should have the government's AA+ rating applied to them, or in respect of Money Market Funds which are AAA rated in their own right.

- 7.4 As Members will be aware, the regular updating of the Authority's Authorised Lending List and Criteria is required in the light of financial institution mergers and changes in institutions' credit ratings. The Finance Officer has the delegated authority to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to Authority and the Governance Committee retrospectively, in accordance with normal Treasury Management reporting procedures. The few changes made during 2013/2014 have already been reported to Members previously but these are included in the attached Appendices for information.

## **8. Reasons for Decision**

- 8.1 To note the Treasury Management performance for 2013/2014.

## **9. Alternative Options**

- 9.1 No alternatives are submitted for Members consideration.



## Lending List Criteria

## Appendix 1

### Counterparty Criteria

The Authority takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management adviser.

Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

<b>Fitch / S&amp;P's Long Term Rating</b>	<b>Fitch Short Term Rating</b>	<b>S&amp;P's Short Term Rating</b>	<b>Moody's Long Term Rating</b>	<b>Moody's Short Term Rating</b>	<b>Maximum Deposit £m</b>	<b>Maximum Duration</b>
AAA	F1+	A1+	Aaa	P-1	110	2 Years
AA+	F1+	A1+	Aa1	P-1	90	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	364 days
A+	F1	A-1	A1	P-1	10	364 days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
<b>Local Authorities</b> (limit for each local authority)					30	2 years
<b>UK Government</b> (including debt management office, gilts and treasury bills)					90	2 years
<b>Money Market Funds</b> Maximum amount to be invested in Money Market Funds is £80 million with a maximum of £40 million in any one fund.					80	Liquid Deposits

Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA+ will be applied to that institution to determine the amount the Council can place with that institution for a maximum period of 2 years.

Where any banks / building societies are part of the UK Government's Credit Guarantee scheme (marked with \* in the Approved Lending List), these counterparties will have an AA rating applied to them thus giving them a credit limit of £40 million for a maximum period of 364 days.

The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above, these new limits are as follows:

### Creating the Safest Community

## Appendix 1

### Country Limit

It is proposed that only countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

It is also proposed to set a total limit of £40 million which can be invested in other countries provided they meet the above criteria. A separate limit of £350 million will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	350
Non UK	40

### Sector Limit

The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	350
Local Government	350
UK Banks	350
UK Building Societies	150
Money Market Funds	80
Foreign Banks	40

### Group Limit

Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, then total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the government's guarantee scheme is still in place;
- the UK continues to have a sovereign credit rating of AA+; and
- that market intelligence and professional advice is taken into account.

Proposed group limits are set out in Appendix 2

## Approved Lending List

## Appendix 2

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
<b>UK</b>	<b>AA+</b>				<b>Aa1</b>			<b>AAA</b>		<b>350</b>	<b>2 years</b>
<b>Lloyds Banking Group</b> (see Note 1)										<b>Group Limit 90</b>	
Lloyds Banking Group plc	A	F1	a-	1	<b>A2</b>	-	-	A-	A-2	90	2 years
Lloyds TSB Bank Plc	A	F1	a-	1	<b>A1</b>	P-1	C-	A	A-1	90	2 years
Bank of Scotland Plc	A	F1	a-	1	<b>A1</b>	P-1	<b>C-</b>	A	A-1	90	2 years
<b>Royal Bank of Scotland Group</b> (See Note 1)										<b>Group Limit 90</b>	
Royal Bank of Scotland Group plc	A	F1	bbb	1	<b>Baa2</b>	P-2	-	<b>BBB+</b>	A-2	90	2 years
The Royal Bank of Scotland Plc	A	F1	bbb	1	<b>Baa1</b>	P-2	D+	<b>A-</b>	<b>A-2</b>	90	2 years
National Westminster Bank Plc	A	F1	-	1	<b>Baa1</b>	P-2	D+	<b>A-</b>	<b>A-2</b>	90	2 years
Ulster Bank Ltd	A-	F1	ccc	1	<b>Baa3</b>	<b>P-3</b>	<b>E+</b>	BBB+	A-2	90	2 years
<b>Santander Group *</b>										<b>Group Limit 40</b>	
Santander UK plc	A	F1	A	1	A2	P-1	C-	A	A-1	40	364 days
Cater Allen	-	-	-	-	-	-	-	-	-	40	364 days
Barclays Bank plc *	A	F1	A	1	A2	P-1	C-	A+	A-1	40	364 days
HSBC Bank plc *	AA-	F1+	A+	1	Aa3	P-1	C	AA-	A-1+	40	364 days

## Appendix 2

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS *	<b>A+</b>	F1	<b>a</b>	1	A2	P-1	C	A+	A-1	40	364 days
Standard Chartered Bank *	AA-	F1+	aa-	1	A1	P-1	B-	AA-	A-1+	40	364 days
Clydesdale Bank / Yorkshire Bank **/**	A	F1	bbb	1	A2	P-1	C-	BBB+	A-2	0	
Co-Operative Bank Plc	<b>BBB-</b>	F3	<b>B</b>	3	<b>Caa2</b>	NP	E+	-	-	0	
<b>Top Building Societies (by asset value)</b>											
Nationwide BS (see above)											
Yorkshire BS ***	BBB+	F2	bbb+	5	<b>Baa1</b>	P-2	C-	A-	A-2	0	
Coventry BS	A	F1	A	5	A3	P-2	C	-	-	5	6 Months
Skipton BS ***	BBB-	F3	bbb-	5	Ba1	NP	D+	-	-	0	
Leeds BS	A-	F2	a-	5	A3	P-2	C	-	-	5	6 Months
West Bromwich BS ***	-	-	-	-	B2	NP	E+	-	-	0	
Principality BS ***	BBB+	F2	bbb+	5	Ba1	NP	D+	-	-	0	
Newcastle BS ***	BB+	B	bb+	5	-	-	-	-	-	0	
Nottingham BS ***	-	-	-	-	Baa2	P-2	C-	-	-	0	
<b>Foreign Banks have a combined total limit of £40m</b>											
<b>Australia</b>	AAA	-	-	-	Aaa	-	-	AAA		40	364 Days
National Australia Bank	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Australia and New Zealand Banking Group Ltd	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Commonwealth Bank of Australia	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days
Westpac Banking Corporation	AA-	F1+	aa-	1	Aa2	P-1	B-	AA-	A-1+	20	364 Days

## Appendix 2

	Fitch				Moody's			Standard & Poor's			
	L Term	S Term	Viability	Support	L Term	S Term	Fin Strength Rating	L Term	S Term	Limit £m	Max Deposit Period
<b>Canada</b>	AAA				Aaa			AAA		40	364 Days
Bank of Nova Scotia	AA-	F1+	aa-	1	Aa2	P-1	B-	A+	A-1	10	364 Days
Royal Bank of Canada	AA	F1+	aa	1	Aa3	P-1	C+	AA-	A-1+	20	364 Days
Toronto Dominion Bank	AA-	F1+	aa-	1	Aa1	P-1	B	AA-	A-1+	20	364 Days
Money Market Funds										80	Liquid
Prime Rate Stirling Liquidity	AAA				AAA			AAA		40	Liquid
Insight Liquidity Fund	AAA							AAA		40	Liquid
Ignis Sterling Liquidity	AAA							AAA		40	Liquid
IDeutsche Managed Sterling Fund					AAA			AAA		40	Liquid

### Notes

#### Note 1

#### **Nationalised / Part Nationalised**

The counterparties in this section will have the UK Government's AA+ rating applied to them thus giving them a credit limit of £90m.

- \* Banks / Building Societies which are part of the UK Government's Credit Guarantee scheme  
The counterparties in this section will have an AA rating applied to them thus giving them a credit limit of £40 million

- \*\* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

- \*\*\* These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the FSA is classed as a UK bank for the purposes of the Approved Lending List.



**GOVERNANCE COMMITTEE MEETING: 30th June 2014**

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**STATEMENT OF ACCOUNTS 2013/2014 (SUBJECT TO AUDIT)**

**REPORT OF THE FINANCE OFFICER**

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**1. Purpose of the Report**

- 1.1 To provide members with the certified copy of the Authority's Statement of Accounts 2013/2014 (Subject to Audit) – (Appendix A), on or before 30<sup>th</sup> June 2014 - (Copy to follow). Any late adjustments to the accounts will, if necessary, be tabled at the meeting.
- 1.2 To provide members with the draft Letters of Assurance required by the external auditor as part of the final accounts process.

**2. Description of Decision**

- 2.1 The Committee is requested to note the Statement of Accounts 2013/2014 (Subject to Audit).
- 2.2 Members are also requested to approve the contents of the Letter of Assurance from those charged with governance (Appendix B) and, to note the Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix C).

**3. Introduction**

- 3.1 The Authority has complied with the financial reporting requirements set out in the Accounts and Audit Regulations 2011, which means that the accounts subject to audit need only be certified by the Relevant Finance Officer by 30<sup>th</sup> June of each year. The accounts, once audited however, must still be approved by members of this Committee at its planned meeting in September, as the audited accounts of the Authority must be formally approved before 30<sup>th</sup> September of each year in accordance with the regulations.
- 3.2 The accounts also comply with complex International Financial Reporting Standards (IFRS), which were introduced from 2010/2011. In an attempt to help make the accounts more meaningful to members, a Summary paper (Appendix D) and Handout (Appendix E) are to be tabled at the meeting as in previous years.

- 3.3 Quality checks continue on the accounts right up until the time they are approved by this committee in order to ensure the Accounts presented subject to audit reflect the most accurate and best set of accounts possible. Each year a set of presentational adjustments are provided for approval along with the accounts. Appendix F sets out the proposed changes, if any, where appropriate.

#### **4. Statement of Accounts 2013/2014 (Subject to Audit)**

- 4.1 The financial statements for 2013/2014 subject to audit (Appendix A) are to be sent out separately to members for their information and will be certified as at 30<sup>th</sup> June by the Finance Officer in accordance with the regulations.
- 4.2 Members should note that the Foreword by the Finance Officer on pages 5 to 14 of the Accounts provides a helpful summary of the main financial issues for 2013/2014 for the Authority and is there to help put the accounts, which are very complex in nature, into context.
- 4.3 Members, should they wish, are also able to ask questions on the accounts at this stage before the audit has been completed, although they will have a further opportunity in September when the audited accounts are to be formally considered for approval.

#### **5. Reasons for Decision**

- 5.1 To note the Statement of Accounts 2013/2014 (subject to audit).
- 5.2 To approve the contents of the Letter of Assurance from those charged with Governance and, to note the Letter of Assurance from those charged with discharging management processes and responsibilities.

#### **6. Alternative Options**

- 6.1 No alternatives are submitted for Members consideration.



Mr G Barker  
Mazaars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

## Appendix B

Date: 30<sup>th</sup> June 2014  
Our ref:  
Your ref:

Dear Gavin,

### **Audit of Tyne and Wear Fire and Rescue Authority - Financial Statements for the year end 31 March 2014 - Understanding your management processes and arrangements**

I am writing with reference to your letter to the Audit Committee on 11th April 2014, in relation to "Assurances from the Governance Committee as the body charged with Governance", which seeks relevant assurances from those charged with governance required by external auditors under the International Auditing Standards. These assurances are provided below, representing Tyne and Wear Fire and Rescue Authority's formal response from those charged with governance, which, for the purposes of the financial statements, is the Governance Committee.

As in previous years, the Governance Committee has considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the authority which might have an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where officers and auditors have discussed key risks) and, to the extent that it is necessary, in the production of the financial statements. The process for the production of the Annual Governance Statement should also mean that all key risks which would relate to the financial statements have been considered. In response to your letter dated 11<sup>th</sup> April 2014 please therefore find responses to your questions below and the completed Appendix 1, as requested.

Specific assurances:

**1) I exercise oversight of management's processes through receiving reports as the Chair of the Governance Committee and discussions with key officers. I am aware of the following arrangements:**

- ***undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;***

This responsibility is exercised through the effective functioning of the Governance Committee, the constitution and operation of which follows CIPFA guidelines.

The Head of Financial Resources at Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972. She attends all meetings of the Governance Committee to discuss and review findings of Internal and External Audit reviews and the level of adequacy of management's response. The Governance Committee also consider the Annual Governance Statement and the actions taken and proposed in relation to improving governance and internal controls.

The Committee reviews the Internal Audit Strategy and Annual Internal Audit Plan and is able to comment on areas proposed for review. The authority's Corporate Risks are regularly reported and reviewed by the committee and the authority's Anti Fraud and Corruption Policy ensures that fraud risk or related concerns are escalated through to the appropriate level, or to this committee, if appropriate. Ad-hoc meetings between the Chair and the Section 151 Officer also take place where necessary. Roles and responsibilities of members and officers are clearly set out in Codes of Conduct, the Scheme of Delegation, the Anti Fraud and Corruption Policy, and in the Risk Management Strategy and Policy Statement. These also describe the relevant registers, declarations and escalation processes to be complied with.

The Governance Committee declares that it has no knowledge of any actual, suspected or alleged fraud that could affect the authority in relation to the 2013/2014 financial statements.

- ***identifying and responding to risks of fraud in the Authority;***

The Authority has an Anti Fraud and Corruption Policy which is regularly updated and approved by the Committee. The Committee reviews the Internal Audit Strategy and Annual Internal Audit Plan, which includes the Counter Fraud Work Programme for the year. The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work. The committee receives half yearly updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements.

The system of internal control is a significant part of the Governance framework within the Authority and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Internal management control arrangements are in place which should identify and prevent fraud risks from occurring and detect them if they do occur. The Authority participates in the National Fraud Initiative and subsequent investigations.

- ***communicating to employees its view on business practice and ethical behaviour and communicating to you the processes for identifying and responding to fraud and error;***

Written procedures are in place covering financial and administrative matters which are communicated to staff through the induction process, through management and are available on the Authority's intranet site. These documents are regularly updated and set out the standards of conduct that are expected, the policies and procedures which should be followed and what to do if staff have concerns that these arrangements are not being complied with. Internal Audit carry out a programme of work which includes assessing the level of compliance against the Authority's key policies and procedures. Key procedures include:

- Codes of conduct;
- Whistle Blowing Policy;
- Anti Fraud and Corruption Policy;
- Health and Safety Policy;
- Compliments, Comments and Complaints Policy;
- Corporate Risk Management Strategy;
- Procurement Codes of Practice;
- Partnerships Procedure;
- Treasury Management Strategy;
- Functional budget management schemes.

The Governance Committee met three times during 2013/2014 with an Internal Audit Progress report being submitted to one of these meetings. The Progress report sets out the work done to identify fraud and the results of this work and the progress against the targets set. Private meetings are held between the head of internal audit, the External Auditor and members of the Governance Committee to discuss the detail of any significant investigations into suspected cases of fraud and corruption.

**2) I am made aware of management processes for identifying and responding to the risk of fraud and possible breaches of internal control through receiving reports as the Chair of the Governance Committee and discussions with key officers.**

I am aware that arrangements are set out in the Authority's Anti Fraud and Corruption Policy. This sets out how concerns should be reported and who to, what people who suspect fraud should and should not do and what the person who receives the concerns should and should not do.

**3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2013-14? If so, please provide details**

I am not aware of any actual, suspected or alleged frauds. The Committee is aware that all authority matters are reviewed for their legality to ensure authority expenditure, services and actions are within the law. As such this Committee has reassurance that legal advice is sought where appropriate and that all reports to authority and members must be reviewed by the legal services section of Sunderland City Council and that legal representation from the council is made at all authority meetings.

Fire Authority reports are vetted by or on behalf of the monitoring officer (Deputy Clerk of Sunderland City Council) to ensure compliance with legal requirements and there is legal representation at Authority meetings. In addition, the monitoring officer and senior members of the council's Legal Services also have access to reports. As part of their job description, solicitors are required to keep up to date with new and emerging legislation which affects local government. To assist in this role, the team subscribe to an electronic legal update service and various legal publications and regularly attend relevant training courses. As a member of the Association of Council Secretaries and Solicitors and Northern Secretaries Group, information is shared with other fire and rescue services, both regarding new legislation and case law and the approach and application of existing legal requirements.

In respect of new legislation or developments in case law, briefing notes or reports are prepared as appropriate and policies and procedures developed in conjunction with officers from the relevant areas of the Fire Service.

Regular team meetings are held within Legal Services both at "service area" level and senior management team level, at which any concerns regarding the Authority's compliance with legal requirements could be raised and addressed.

Sunderland City Council's internal audit team recently carried out an audit of corporate legality arrangements, with the objective of providing assurance that the Authority has arrangements in place to ensure it remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law. There were no issues or concerns raised and the audit gave full assurance regarding the Authority's arrangements to ensure legality. The audit concluded that the controls evaluated were well designed, appropriate in scope and applied consistently and effectively.

**4) Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details.**

On behalf of the Governance Committee I declare that I have no knowledge of and have not been notified of any non-compliance with laws and regulations that could impact on the 2013/2014 financial statements

**5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern? If so, please provide details.**

The Authority by its very nature is a going concern and the Committee has no reason to believe that any events would impact on this position. The fact the Authority shows assets worth over £62m, and cash backed reserves of over £36m would support this view, whilst recognising that the Authority has a negative net worth of £681m most of this relates to the pensions deficiency of £741m which must be disclosed as part of the international financial reporting standard IAS19 requirements. The fact all pension costs would never be incurred in one year (as implied by IAS19) and that the Authority is addressing the potential deficiency over a 22 year period in accordance with requirements by making additional annual pension deficiency payments means the Balance Sheet Net Worth is effectively being distorted by this reporting standard. When this is removed the Authority has a real net worth of approximately £60m. The Authority is also extremely well managed and prudent in its approach to all financial matters which is reflected in the strong Balance Sheet presented to this Committee as part of the Statement of Accounts for 2013/2014.

Yours sincerely,

Geoff Cook  
Chairman of the Governance Committee



## Appendix 1

No.	Questions for management	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2013 – 31 March 2014?	There were no breaches of control at the Authority during 2013/14
2	<p>Do you suspect fraud may be occurring within the Authority?</p> <ul style="list-style-type: none"> <li>➤ Have you identified any specific fraud risks within the Authority?</li> <li>➤ Do you have any concerns that there are areas within your Authority that are at risk of fraud?</li> <li>➤ Are there particular locations within the Authority where fraud is more likely to occur?</li> </ul>	<p>A fraud risk assessment is in place and is regularly updated which covers all appropriate parts of the Authority. This covers areas of fraud risks, sets out the individual risks, a score for the risks and tests that are carried out to identify potential fraud taking place. A programme of proactive counter fraud work is undertaken every year by Internal Audit which did not identify any areas of concern.</p> <p>The Authority also takes part in the National Fraud Initiative which has not identified any areas of concern.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> <li>➤ If not where are the risk areas?</li> <li>➤ What other controls are in place to help prevent, deter or detect fraud?</li> </ul>	<p>Internal controls regarding segregation of duties are in place and the results of Internal Audit work have not highlighted any material concerns. An adequate opinion on the system of internal control has been reported to the Governance Committee for the year.</p> <p>The Authority has an Anti Fraud and Corruption Policy and supporting documents in place which are available to all staff on the Authority intranet and included in the induction process.</p> <p>Other controls in place include a robust budget management framework which includes detailed support for Financial Resources of Sunderland City Council and verification checks in the Council's key systems such as payroll, BACS payments and Accounts Payable which are aimed at identifying fraud or errors. The majority of Authority payments are through the Supplier</p>

		<p>Relationship Management system which ensures authorisation of payments by an approved authorised officer.</p> <p>There has been a significant amount of work undertaken across the Authority to raise awareness of Information Governance issues and encourage staff to keep information secure.</p>
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> <li>➤ What concerns about fraud are staff expected to report?</li> </ul>	<p>This is undertaken by officers of the Authority. A Whistle Blowing Policy is in place and is on the Authority's intranet which gives details of how staff can raise concerns. Staff are encouraged to raise concerns about any areas where controls are not being complied with, where there is significant non-compliance with policies and procedures, or where there are concerns regarding corruption or potential financial loss.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your Authority?</p> <ul style="list-style-type: none"> <li>➤ How are the risks relating to these posts identified, assessed and managed?</li> </ul>	<p>The Internal Audit Fraud Risk Assessments identifies potential fraud risks in specific areas which would cover any specific risks in relation to individual posts. Counter fraud checks would be designed to test these risks to identify any potential fraudulent activity.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> <li>➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions?</li> </ul>	<p>No</p> <p>The authority has robust procedures in place to ensure all related party transactions are identified and, where appropriate, are fully disclosed in the Statement of Accounts. The authority has an established a Partnerships procedure and maintains and updates its Partnership Register regularly. Internal practices and processes carried out as part of the closing of accounts timetable also have specific tasks and detailed analysis of all member and chief officer interests and related party transactions which are reviewed and</p>



		collated to form notes in the statement of accounts. All member interests are also documented and held by democratic services for scrutiny and also help to inform the process. Reviews by senior management also help inform the control process.
7	<p>Are you aware of any entries made in the accounting records of the Authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> <li>➤ Are there particular balances where fraud is more likely to occur?</li> <li>➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the Authority?</li> <li>➤ Could a false accounting entry escape detection? If so, how?</li> <li>➤ Are there any external fraud risk factors, such as benefits payments or collection of tax revenues, which are high risk of fraud?</li> </ul>	<p>No</p> <p>Internal controls and internal check mitigate the risk, as does appropriately qualified and experienced staff involved in compiling the accounts.</p> <p>All areas are subject to a risk review and reports from internal and external audit help identify and report their findings in areas where risk is high. The SAP system makes false accounting unlikely because of the way it is designed and is fed by the bank reconciliation and feeder systems and that have separate controls and reconciliation processes in place to maintain the integrity of the financial system. Strong and robust budgetary control and financial practices are in place across the council</p> <p>Areas that are identified as high risk are reviewed more regularly by internal audit as part of their risk based approach to auditing. Legal and financial review is carried out across the fire service spectrum of activity.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> <li>➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</li> </ul>	<p>No – The Medium Term Financial Plan, the budget planning process and the Annual budget, along with agreed cash limits approach is reviewed and monitored during the year to review achievement and adherence to agreed budget levels agreed by members and the Fire Authority. Actual performance and any actions necessary are reviewed by management and reported to members who receive formal</p>

		<p>Authority quarterly reports during the year.</p> <p>As a consequence there are no inappropriate pressures or incentives being applied.</p>
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Mr G Barker  
Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

## Appendix C

Date: 30<sup>th</sup> June 2014  
Our ref:  
Your ref:

Dear Gavin,

### **Audit of Tyne and Wear Fire and Rescue Authority - Financial Statements for the year end 31 March 2014 - Understanding your management processes and arrangements**

I refer to your letter dated 11<sup>th</sup> April 2014 in respect of the above management arrangements and processes in place within the authority in order to provide you with the necessary assurances from management which you require under International Auditing Standards. The assurances are provided below, representing Tyne and Wear Fire and Rescue Authority's formal response from management in this respect.

As in previous years, as section 151 officer of the authority, on behalf of management I have considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the authority which might have had an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where myself and other senior officers with yourselves have identified and discussed key risks faced by the authority) and, to the extent that it is necessary, in the production of the financial statements. The processes and arrangements in place and adhered to by senior management in the production of the Annual Governance Statement also show that all key risks which would relate to the financial statements have been fully and appropriately considered. In response to your letter dated 11<sup>th</sup> April 2014 please therefore find responses to your specific questions and Appendix 1, completed as requested.

Specific assurances:

#### **1) I can confirm the areas set out below show that appropriate management processes are in place:**

- ***undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;***

A risk management assessment is carried out and updated regularly (but at least annually) and this helps to ensure that all risks are identified and then addressed appropriately. The review of risks is reported formally to the Governance Committee throughout the year.

I, along with the strategic management team, ensure that arrangements are in place within the authority that achieve the effective and efficient use of resources, policies and procedures are in place so that the authority is effectively managed, and internal control mechanisms are put in place and operating effectively within the authority to help mitigate against all identified risks. These ensure the financial statements are not materially misstated each year.

I, as the section 151 officer, attend all meetings of the Governance Committee to discuss and review findings of all Internal and External Audit reviews and ensure members are kept informed through the regular reporting mechanisms in place. The committee receives and approves the accounts on behalf of the authority and, as such, is kept informed of all issues and risks that could impact upon the financial statements and operates within the guidelines recommended by CIPFA. Management also consider and inform the Annual Governance Statement and the actions set out, in order to further improve governance arrangements, to achieve value for money in its use of resources, and to improve the internal control environment.

Management also receive the independent Internal Audit Strategy and Annual Internal Audit Plan and can comment on areas proposed for review. The authority's Corporate Risks are regularly reported and reviewed by the management within the authority and the authority's Anti Fraud and Corruption Policy ensures that fraud risk or related concerns are escalated through to the appropriate level as appropriate. Ad-hoc meetings between the Chair and myself also take place, where necessary, to discuss matters as they arise. Roles and responsibilities of members and officers are clearly set out in the Codes of Conduct, the Scheme of Delegation, the Anti Fraud and Corruption Policy, and in the Risk Management Strategy and Policy Statement. These also describe the relevant registers, declarations and escalation processes to be complied with.

I would declare on behalf of management that I have no knowledge of any actual, suspected or alleged fraud that could affect the authority in relation to the 2013/2014 financial statements.

- ***identifying and responding to risks of fraud in the Authority;***

The Authority has an Anti Fraud and Corruption Policy which is regularly updated and is also approved by the Governance Committee. Regular reviews and achievement of the annually reviewed audit plan are discussed with me, but importantly, reported separately to the committee. It is important that the Internal Audit Strategy and Annual Internal Audit Plan, which includes the Counter Fraud Work Programme for the year, is established independently in accordance with best practice.

The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work. I receive half yearly updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements and all findings are reported to members as appropriate.

The system of internal control is a significant part of the Governance framework within the Authority and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Internal management control arrangements are in place which should identify and prevent fraud risks from occurring and detect them if they do occur. The Authority engages in numerous fraud prevention and identification activity, including corporate processes, such as participating in the National Fraud Initiative

- ***communicating to employees its view on business practice and ethical behaviour and communicating to those charged with governance the processes for identifying and responding to fraud and error;***

Written procedures are in place covering financial and administrative matters which are communicated to staff through the induction process, through management and are available on the Authority's intranet site. These documents are regularly updated and set out the standards of conduct that are expected, the policies and procedures which should be followed and what to do if staff have concerns that these arrangements are not being complied with. Internal Audit carry out a programme of work which includes assessing the level of compliance against the Authority's key policies and procedures. Key procedures include:

- Codes of Conduct;
- Whistle Blowing Policy;
- Anti Fraud and Corruption Policy;
- Health and Safety Policy;
- Compliments, Comments and Complaints Policy;
- Procurement Codes of Practice;
- Partnerships procedure;
- Treasury Management Strategy;
- Functional budget management schemes.

The Anti Fraud and Corruption Policy for 2013/2014 set out the approach used to identify potential fraud and the resources available. The Governance Committee met three times during 2013/2014 with an Internal Audit Progress report submitted to one of these meetings. The Progress reports set out the work done to identify fraud and the results of this work and the progress against the targets set. Private meetings are held between the head of internal audit, the External Auditor and members of the Governance Committee to discuss the detail of any significant investigations into suspected cases of fraud and corruption.

I am aware that arrangements are set out in the Authority's Anti Fraud and Corruption Policy. This sets out how concerns should be reported and who to, what people who suspect fraud should and should not do, and what the person who receives the concerns should and should not do.

During 2013/14, I was not made aware of any breaches of control.

**2) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2013-14? If so, please provide details**

I am not aware of any actual, suspected or alleged frauds other than those reported to management and members as part of the regular updates on the Counter Fraud Work Programme. I am aware that all authority matters are reviewed for their legality to ensure authority expenditure, services and actions are within the law. As such we have appropriate legal arrangements in place headed by the monitoring officer (Deputy Clerk of Sunderland City Council) who reports to me directly. This gives reassurance that legal advice is sought where appropriate, that all reports to authority and members must be reviewed by the legal services section, and that legal representation is made at all authority meetings.

In addition Authority reports are vetted by or on behalf of the monitoring officer to ensure compliance with legal requirements and there is legal representation at Authority meetings. In addition, the monitoring officer and senior members of Legal Services have access to reports which are considered by the Strategic Management Team. As part of their job description, solicitors are required to keep up to date with new and emerging legislation which affects local government. To assist in this role, the team subscribe to an electronic legal update service and various legal publications and regularly attend relevant training courses. As a member of the Association of Council Secretaries and Solicitors and Northern Secretaries Group, information is shared with other fire and rescue services, both regarding new legislation and case law and the approach and application of existing legal requirements.

In respect of new legislation or developments in case law, briefing notes or reports are prepared as appropriate and policies and procedures developed in conjunction with officers from the relevant areas of the Fire Service.

Regular team meetings are held within Legal Services both at "service area" level and senior management team level, at which any concerns regarding the Authority's compliance with legal requirements could be raised and addressed.

Sunderland City Council recently carried out an audit of corporate legality arrangements, with the objective of providing assurance that the Authority has arrangements in place to ensure it remains within the law as it carries out its business, paying due regard to relevant legislation, statutory requirements and case law. There were no issues or concerns raised and the audit gave full assurance regarding the Authority's arrangements to ensure legality. The audit concluded that the controls evaluated were well designed, appropriate in scope and applied consistently and effectively.

**3) Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details.**

On behalf of Management I declare that I have no knowledge of, and the authority is not on notice of any non-compliance, with laws and regulations that could impact on the 2013/2014 financial statements. All contingent liabilities are discussed and identified and or updated and reviewed annually and in order to reflect the known position as at the balance sheet date.

- 4) What controls do you have in place to: identify; authorise; approve; account for; and disclose, related party transactions and relationships? For any new related parties (i.e. any not already disclosed in your year end 31 March 2013 audited financial statements) please provide a list of them, explain the nature of these, and whether you have entered into any transactions with these related parties during the year to 31 March 2014.**

On behalf of the Management I declare that I have no knowledge of any such related party transactions that require further disclosure from those previously declared.

The Authority has robust procedures in place to identify and record any related party transactions in respect of its members and senior chief officers included within the statement of accounts which has taken place during the year and is informed by the robust formal year end process of signed declarations outlining all detailed related party transactions and relationships which apply to all individual Members and Senior Chief Officers. Various sources of information held and recorded by the Authority also help to inform the robust procedures in place including its formal Committee protocols (whereby members must declare at meetings they attend any interests of a personal nature (where they can not vote on that item) or of a prejudicial nature where they will have to leave the meeting for that item); the Authority's Constitution; and the detailed policies and procedure rules and financial regulations of the Authority that are required to be observed which are also in place to ensure any related party transactions are identified, fully disclosed and recorded, properly considered and accounted for as necessary.

Yours sincerely,

Sonia Tognarelli

Finance Officer (Tyne and Wear Fire and Rescue Authority)





## Appendix 1

No.	Questions for management	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2013 – 31 March 2014?	There were no breaches of control at the Authority during 2013/14
2	<p>Do you suspect fraud may be occurring within the Authority?</p> <ul style="list-style-type: none"> <li>➤ Have you identified any specific fraud risks within the Authority?</li> <li>➤ Do you have any concerns that there are areas within your Authority that are at risk of fraud?</li> <li>➤ Are there particular locations within the Authority where fraud is more likely to occur?</li> </ul>	<p>A fraud risk assessment is in place and is regularly updated which covers all appropriate parts of the Authority. This covers areas of fraud risks, sets out the individual risks, a score for the risks and tests that are carried out to identify potential fraud taking place. A programme of proactive counter fraud work is undertaken every year by Internal Audit which did not identify any areas of concern.</p> <p>The Authority also takes part in the National Fraud Initiative which has not identified any areas of concern.</p>
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> <li>➤ If not where are the risk areas?</li> <li>➤ What other controls are in place to help prevent, deter or detect fraud?</li> </ul>	<p>Internal controls regarding segregation of duties are in place and the results of Internal Audit work have not highlighted any material concerns. An adequate opinion on the system of internal control has been reported to the Governance Committee for the year.</p> <p>The Authority has an Anti Fraud and Corruption policy and supporting documents in place which is available to all staff on the Authority intranet and is included in the induction process.</p> <p>Other controls in place include a robust budget management framework which includes detailed support for Financial Resources of Sunderland City Council and verification checks in the Council's key systems such as payroll, BACS payments and Accounts Payable which are aimed at identifying fraud or errors. The majority of Authority payments are through the Supplier Relationship Management system</p>

		<p>which ensures authorisation of payments by an approved authorised officer.</p> <p>There has been a significant amount of work undertaken across the Authority to raise awareness of Information Governance issues and encourage staff to keep information secure.</p>
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> <li>➤ What concerns about fraud are staff expected to report?</li> </ul>	<p>This is undertaken by officers of the Authority. A Whistleblowing policy is in place and is on the Authority's intranet which gives details of how staff can raise concerns. Staff are encouraged to raise concerns about any areas where controls are not being complied with, where there is significant non-compliance with policies and procedures, or where there are concerns regarding corruption or potential financial loss.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your Authority?</p> <ul style="list-style-type: none"> <li>➤ How are the risks relating to these posts identified, assessed and managed?</li> </ul>	<p>The Internal Audit Fraud Risk Assessments identifies potential fraud risks in specific areas which would cover any specific risks in relation to individual posts. Counter fraud checks would be designed to test these risks to identify any potential fraudulent activity.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> <li>➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions?</li> </ul>	<p>No</p> <p>The authority has robust procedures in place to ensure all related party transactions are identified and, where appropriate, are fully disclosed in the Statement of Accounts. The authority has an established Partnerships procedure and maintains and updates its Partnership Register regularly. Internal practices and processes carried out as part of the closing of accounts timetable also has specific tasks and detailed analysis of all member and chief officer interests and related party transactions which are reviewed and collated to form notes in the statement of accounts. All member interests are also documented and held by democratic</p>

		services for scrutiny and also help to inform the process. Reviews by senior management also help inform the control process.
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No.	Questions for management	Those charged with governance response
7	<p>Are you aware of any entries made in the accounting records of the Authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> <li>➤ Are there particular balances where fraud is more likely to occur?</li> <li>➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the Authority?</li> <li>➤ Could a false accounting entry escape detection? If so, how?</li> <li>➤ Are there any external fraud risk factors, such as benefits payments or collection of tax revenues, which are high risk of fraud?</li> </ul>	<p>No</p> <p>Internal controls and internal check mitigate the risk, as does appropriately qualified and experienced staff involved in compiling the accounts.</p> <p>All areas are subject to a risk review and reports from internal and external audit help identify and report their findings in areas where risk is high. The SAP system makes false accounting unlikely because of the way it is designed and is fed by the bank reconciliation and feeder systems and that have separate controls and reconciliation processes in place to maintain the integrity of the financial system. Strong and robust budgetary control and financial practices are in place across the authority. Areas that are identified as high risk are reviewed more regularly by internal audit as part of their risk based approach to auditing. Legal and financial review is carried out across the fire service spectrum of activity.</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> <li>➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</li> </ul>	<p>No – The Medium Term Financial Plan, the budget planning process and the Annual budget, along with agreed cash limits approach, is reviewed and monitored during the year to review achievement and adherence to agreed budget levels agreed by members and the Fire Authority. Actual performance and any actions necessary are reviewed by management and reported to members who receive formal Authority quarterly reports during the year. As a consequence there are no inappropriate pressures or incentives being applied.</p>