

ITEM NO. 3

Minutes of the Meeting of
the TYNE AND WEAR FIRE AND
RESCUE AUTHORITY held in the
Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 15 OCTOBER 2018 at
1.00pm.

Present:

Councillor Curran in the Chair

Councillors Bell, Burdis, Duggan, Forbes, Haley, Kilgour, Perry, Pickard,
Stephenson, Taylor and Woodwark.

Part I

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Dodds and Oliver together with Dame Vera Baird DBE QC.

Declarations of Interest

There were no declarations of interest.

Minutes

29. RESOLVED that:-

- (i) the minutes of the Authority, Part I held on 10th September 2018 be confirmed and signed as a correct record subject to the inclusion of Councillor Taylor within the list of attendees.
- (ii) the minutes of the meeting of the Policy and Performance Committee held on 9th July 2018 be noted for information; and
- (iii) the minutes of the meeting of the Human Resources Committee held on 23rd July 2018 be noted for information.

Annual Audit Letter

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Strategic Finance Manager submitted a joint report detailing the Annual Audit Letter (AAL) for 2017/2018 issued by the External Auditors, Mazars LLP. A copy of the report was attached at Appendix A of the report.

The AAL provided the Authority with the findings of the 2017/2018 audit, which comprised two main elements:

- An audit of the Authority's financial statements; and
- An assessment of the Authority's arrangements to achieve Value for Money in the use of its resources.

The Strategic Finance Manager advised Members that the AAL was very positive, providing a strong endorsement of the financial management and governance arrangements that were in place across the Authority.

Members of the Authority acknowledged that this was a huge achievement given that the accounts were now to be submitted one month earlier i.e. 31st May as opposed to 30th June.

The Strategic Finance Manager had also compiled and published a narrative report which had also been audited. No matters had been identified and no requests for information had been made by members of the public. It was deemed that proper arrangements were in place in terms of both efficiency, economy and effectiveness. Members were referred to the Executive summary of the Annual Audit Letter, in particular the key findings which were as follows:

Audit of the Financial Statements

The report issued on 31 July 2018 included the opinion that the financial statements gave a true and fair view of the Authority's financial position as at 31 March 2018 and of its expenditure and income for the year then ended and also that they had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018.

Other information published alongside the audited financial statements

The report included an opinion that the other information in the Statement of Accounts was consistent with the audited financial statements.

Value for Money Conclusion

The report concluded that the external auditors were satisfied that in all significant aspects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Reporting to the Group Auditor

On 31 July 2018, Mazars reported that the activity was below the threshold set by the NAO meaning that they were not required to review the Whole of Governments Accounts return.

Statutory reporting

The report confirmed that Mazars did not use the powers under s24 of the 2014 Act to issue a report in the public interest to make written recommendations to the Authority.

The Strategic Finance Manager then referred Members to, and explained the significant risks which had been identified by the auditors and how during their audit these had been addressed. These were:

Management override of controls

Management at various levels within an organisation were in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, Mazars considered this to be a significant risk on all audits. The auditor concluded that they had found no indication of management override of controls.

Defined benefit liability valuation

The financial statements contained material pension entries in respect of the retirement benefits.

The calculation of these pension figures, both assets and liabilities, could be subject to significant volatility and included estimates based upon the complex interaction of actuarial assumptions. This resulted in an increased risk of material misstatement. The auditor concluded that they had found no indication of material estimation error in respect of pensions.

Property, plant and equipment (PPE) valuation (s)

The financial statements contained material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority employed an internal valuation expert to provide information on valuations, there remained a high degree of estimation uncertainty associated with PPE valuations because of the significant judgements and number of variables involved. Mazars had therefore identified the value of PPE to be an area of risk. The auditors had found that due to a significant increase in underlying indices used to value fire stations that these were materially understated and required amendment. The Authority had made the necessary adjustment to the accounts and the auditor was satisfied with the amended position. They also concluded that their work had provided them with the assurance they had sought.

The Strategic Finance Manager then turned to the Value for Money Conclusion part of the report which gave the necessary assurance that the Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The overall criterion followed in reaching this judgement was 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for the taxpayers and local people.

Finally, The Authority was advised that the Auditors saw Responding to financial pressures as a significant risk based on the fact that the Authority had identified that over the medium term of 2018/2019 to 2021/22 it faced a cumulative budget gap of 3.6m. The Authority had prudently established an earmarked reserve to match the budget gap of £3.6m so that it could be funded over this period. In the meantime, various work streams linked to the IRMP were in place seeking to deliver further savings and improvement.

It was important they added to identify measures that delivered an annual reduction in the base budget and this was the focus of the efforts that were being undertaken.

Councillor Woodward commented on the discussion with auditors at the last Governance Committee whereby they explained that their relationship with officers from TWFRS was excellent.

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

Local Government (Access to Information) (Variation Order) 2006

31. RESOLVED that in accordance with the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during consideration of the remaining business as it was considered to involve a likely disclosure of information relating to any individual or which was likely to reveal the identity of an individual or information relating to the financial or business affairs of any particular person (including the Authority holding that information) or information relating to consultations/negotiations in connection with any labour matter arising between the Authority and employees of the Authority (Local Government Act 1972, Schedule 12A, Part I, Paragraphs 1, 2, 3 and 4).

(Signed) B. Curran
Chairman

Note:

The above minutes comprise those relating to items of business during which the meeting was open to the public.

Additional minutes in respect of other items are included in Part II.