

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 26 SEPTEMBER 2016 at
10.30 am.

Present:

Mr G. N. Cook in the Chair.

Councillors Burdis, Dodds and Maughan.

In Attendance:

Mark Kirkham (Mazars)

Gavin Barker (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Kilgour, Middleton and Turton and also Ms G Goodwill and Mr M Knowles.

Declarations of Interest

There were no declarations of interest.

Minutes

7. RESOLVED that the minutes of the meeting of the Governance Committee held on 27 June, 2016 be confirmed and signed as a correct record.

Internal Audit Progress Report

The Head of Internal Audit submitted a report setting out the performance of Internal Audit up to August 2016, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

The Head of Internal Audit referred Members to Appendix 1 and advised that all of the KPIs were on target.

Six audits were included in the 2016/17 plan and to date, one had been completed to draft report stage. This was the audit of compliance with the revised Standing Orders, which resulted in the provision of substantial assurance regarding the arrangements in place. Two audits were on-going and a further three were scheduled. All audits were expected to be completed within the year.

The committee was then referred to Appendix 2 of the report which detailed the current overall opinion against each risk area, based on the last three years' audit work. Members noted that the position was very positive with all levels of assurance being substantial except one.

8. RESOLVED that the contents of the report be noted and endorsed.

Audited Statement of Accounts 2015-2016

- (i) Letter of Representation 2015-16**
- (ii) Audit Completion Report – Year Ended 31 March 2016**
- (iii) Statement of Accounts 2015-16**

The Finance Officer submitted a report to present the Letter of Representation for 2015/2016 and to receive the Audit Completion Report from Mazars LLP concerning the financial statements for 2015/2016. This provided their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money).

In addition the report provided an audited Statement of Accounts for 2015/2016. This had been revised to take into account the auditor's findings, for approval by members. A complete list of the amendments was set out in Appendix A of the report for information.

Members were advised that the amended Statement of Accounts, noted previously on 27th June, 2016, did not contain any misstatements and that Mazars LLP was to formally provide an unqualified opinion on the audited Statement of Accounts before the end of September.

The report was very positive and in summary showed that:

- The external auditors proposed to issue an unqualified audit opinion;
- Most non-trifling misstatements had been adjusted by management and those not adjusted were set out with reasons accepted by the auditor in the Annual Audit Report;
- The external auditors had not identified any material weaknesses in the accounting and the internal control systems;

- The external auditors had referred to a number of presentational issues they identified in relation to the qualitative aspects of the Authority' financial reporting and reference was also made in the Letter of Representation however these were not considered to be significant;
- The external auditors had not identified any matters required by international auditing standards that should be communicated to Members;
- The external auditors had not identified any other relevant matters relating to the audit that needed to be brought to Members attention; and
- The external auditors had reported that the Authority was also to receive an unqualified Value for Money opinion, which confirmed that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2016.

On the basis of the amendments agreed with the external auditors, Mazars LLP would now formally provide an opinion on the amended Statement of Accounts on or before the 30 September statutory deadline, by which time the Authority was also required to publish its Audited Statement of Accounts on its website, appropriately signed by the Chair and re-signed by the Finance Officer in line with the new reporting requirements set out in the Accounts and Audit Regulations 2015.

Mark Kirkham congratulated the Authority on the positive results arising from the audit and the arrangements currently in place.

Gavin Baker referred to the two significant findings identified within the Audit Completion Report namely:

- Management Override of Controls; and
- Pensions Entries (IAS 19)

With regards to the Management of Override controls, Gavin explained that work had not highlighted any issues to bring to Members' attention. At the time of the papers being circulated, Mazars had not received and reviewed the required assurance from the auditors of the Tyne and Wear Pension Fund over IAS 19 pension related entries in the financial statements. This information had now been received and there were no issues to report.

Gavin then referred the Committee to the Internal Control recommendation (Level 2 – Medium) – Approval of Exit packages by the Authority and advised that during testing, they had found that when the Authority approved an exit package they considered the capital cost in terms of the strain on the pension fund, but they did not disclose the level of any severance payments. In the Auditors view, and in the interests of openness and transparency, they felt that Members should be made

aware of the full costs when they received future requests to approve early retirements, including the reasons for any payments.

It was therefore recommended that the Voluntary Severance Scheme should be updated to clarify specifically what had been delegated to the Chief Fire Officer and what required Authority approval. In addition, when the Authority considered early retirements in the future, which included an element where a decision had been taken under delegated powers by the Chief Fire Officer, the report should include full costs and where necessary, the justification/rationale for any additional payments, so that a decision could be taken in the knowledge of all relevant information. This recommendation was accepted by management.

9. RESOLVED that:

- (i) The Letter of Representation (Item i) be approved;
- (ii) The contents of the External Auditors Audit Completion Report (Item ii) be noted; and
- (iii) The amended Audited Statement of Accounts for the Financial Year ended 31st March 2016 (Item iii) be approved.

Annual Report and Statement of Assurance 2015/2016

The Chief Fire Officer and Chief Executive (Clerk to the Authority), the Finance Officer and the Personnel Advisor to the Authority submitted a joint report to present the draft Statement of Assurance and Annual Report 015/16 (Appendix A of the report) to Members for approval.

ACFO Griffiths advised the Committee that the Statement of Assurance and Annual Report contained a summary of the performance in 2015/16. A total of 14,375 incidents were attended with an average response time of 5 minutes 14 seconds. There were no accidental fire deaths during this period. There were also 15% reduction in injuries from accidental dwelling fires and a 28.2% reduction in false alarm calls from non-domestic premises.

The Chairman congratulated the service on the continuous positive outcomes achieved, despite the reductions in funding.

Councillor Burdis agreed and commented that staff should be thanked for their hard work however concerns should be raised as to how the level of service, for example community safety checks could be continued in times of austerity.

ACFO Griffiths advised that the Authority was faced with risks and as a result, the 2017-2020 IRMP process would include new actions.

10. RESOLVED that:

- (i) The contents of the report be noted and endorsed; and
- (ii) The draft document be approved subject to design and format and the insertion of the approved statement of accounts.

Treasury Management – Half Yearly Review of Performance 2016/2017

The Finance Officer submitted a report on the Treasury Management (TM) performance to date for the second quarter of 2016/2017.

The Finance Officer advised that no rescheduling had been undertaken in 2016/17 as rates had not been considered to be favourable. The Authority's interest rate on borrowing was very low, currently 3.34% and performance continued to see the Authority's rate of borrowing in the lowest quartile, when compared against the target rate of 4%.

Treasury Management Prudential Indicators were regularly reviewed and the Authority was within the limits set for all of its TM Prudential Indicators. The Authorised Borrowing Limit for External Debt was £56.083m and the Operational Boundary for External Debt was £51.083m. The committee was advised that the maximum external debt to 31st August 2016 was £35.294m and therefore well within the set limits.

The Finance Officer went on to say that the Authority had benefited from additional investment income in the first half of the year of almost £12,400 in cash terms based on a higher rate of return in 2016/17 of 0.41% compared to the 7 day LIBID rate of 0.32%.

Following the Brexit vote the rating agencies had downgraded the United Kingdom credit rating from AA+ to AA and from AAA to AA. This position was subject to close monitoring. Sunderland City Council also continued to monitor the Approved Lending List (Appendix C) and Members were asked to note that the Royal Bank of Scotland plc and Lloyds Bank plc had changed to a limit of £80m to reflect the recent credit rating downgrade for the UK.

11. RESOLVED that:

- (i) The Treasury Management performance during the year to the second quarter of 2016/2017 be noted; and
- (ii) The Lending List Criteria at Appendix B, the Approved Lending List at Appendix C and the Risk Management Review of Treasury Management at Appendix D be noted.

(Signed) G. N. COOK
Chairman