



Minutes of the meeting of the
GOVERNANCE COMMITTEE held
in the Fire and Rescue Service
Headquarters, Barmston Mere on
MONDAY 26 MARCH 2018 at
10.30 a.m.

Present:

Mr G. N. Cook in the Chair

Councillors Burdis, Kilgour and Maughan and Miss G Goodwill and M. Knowles.

In Attendance:

Mark Kirkham (Mazars)
Gavin Barker (Mazars LLP)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillors Dodds and Galbraith.

Declarations of Interest

There were no declarations of interest.

Minutes

16. RESOLVED that the minutes of the meeting of the Governance Committee held on 25 September 2017 be confirmed and signed as a correct record.

Internal Audit Strategy and Annual Audit Plan for 2018/19

The Head of Internal Audit submitted a report to set out the Internal Audit Strategy and the proposed Internal Audit Plan for 2018/2019 to the committee.

Members were referred to section 2 of the Internal Audit Strategy which set out the professional standards that all internal auditors complied with. These were set by The Chartered Institute of Public Finance and Accountancy (CIPFA). The standards were revised in 2017 to incorporate new and revised international standards and consequent amendments to the additional public sector requirements and interpretations.

The Head of Internal Audit advised the committee that the following audits were planned for the year:

- ICT – Cyber Security
- Information Governance
- Financial Management
- ICT – Business Continuity / Disaster Recovery
- Procurement and Contract Management
- Fraud and Corruption

This would be the first time that Cyber Security had been audited and would look at a number of areas, including network control, incident alerts and staff training. Martin Knowles asked whether any specific government guidance had been issued following recent cyber-attacks. The Head of Internal Audit confirmed that the National Audit Committee had issued guidance which the Cyber Security audit would work against.

17. RESOLVED that Appendix 1 of the report set out the detail of the audit work carried out in the last three fiscal years and provided the overall opinion of these areas. Members approved these findings.

Treasury Management Policy and Strategy 2018/2019, Including Prudential 'Treasury Management' Indicators for 2018/2019 to 2020/2021

The Strategic Finance Manager submitted a report to the Committee to inform them on the proposed Treasury Management Policy and Strategy (including both borrowing and investment strategies) proposed for 2018/2019 and to note the Prudential 'Treasury Management' Indicators for 2018/2019 to 2020/2021 and to provide comments to the Authority on the proposed policy and indicators where appropriate.

The Strategic Finance Manager informed the Committee that due to an administration error in the dates set for meetings this report has already been approved by the full Fire Authority. The correct order would be for this policy to be presented to the Governance Committee in the first instance and then to the full Fire Authority. This had been noted and will be rectified when the next Committee dates were set. Any material changes identified today would still be valid and would be presented back to the Fire Authority at the next meeting.

Members were advised that there were no major changes proposed to the Treasury Management strategy and it would maintain the prudent approach adopted in previous years.

The Authority's performance for 2017/2018 using the prudent treasury management strategy adopted showed that the current average rate of borrowing at 3.26% was low in comparison with other local authorities whilst the current rate earned on investments at 0.41% is higher than the current benchmark figure of 0.17%. Market conditions were under constant review so that the Authority could take a view on the optimum time to carry out further borrowing or debt rescheduling.

Members were referred to the Appendix 1 of the report and in particular to the Authorised Limit for External Debt for 2018/2019 which was set at £47,213,000. The Strategic Finance Manager confirmed that this was consistent with the Authority's current commitments, existing plans and proposals on the Capital Programme for capital expenditure and financing, and with its approved treasury management policy statement practices. Members agreed this limit.

Members also approved that the operational boundary limit for 2018/2019 be set at £42,213,000. This would be closely monitored and a report would be made to the Fire Authority if this limit was exceeded at any point, although it was not anticipated that there would be any issues in remaining within this operational limit.

The Strategic Finance Manager then referred Members to Appendix 2 of the report which was the Treasury Management Policy Statement. This must be reaffirmed every year and set out the basis of the agreed Borrowing Strategy and the Fire Authority's investment priorities. There was a detailed Lending List and criteria must be observed when placing funds. These were determined using expert treasury management advice, view of money market conditions and using detailed rating agency information as well as market intelligence.

A discussion was held in relation to reserves and the Strategic Finance Manager advised that the capital investment requirements for the Fire Authority were quite heavy and there may be a need to borrow externally in the future. This would be kept under review and would be reported to this Committee should it be required. The market rates were constantly reviewed should there be a need to borrow early to ensure that the best rate possible is secured for the Authority.

18. RESOLVED that:

- (i) The Annual Treasury Management Policy and Strategy (including specifically the Annual Borrowing and Investment Strategies) for 2018/2019 be noted and endorsed; and
- (ii) The Prudential 'Treasury Management' Indicators for 2018/2019 to 2020/2021 be noted and endorsed.

Audit Strategy Memorandum 2017/2018

Mark Kirkham and Gavin Barker from Mazars LLP presented the Audit Strategy Memorandum 2017/2018 to the group which set out the scope and approach they were going to take in their audit of the financial statements and the value for money conclusion for the financial year 2017/2018.

Gavin was pleased to confirm that the audit fees of £30,636 were being held for the third year which was in accordance with the scale fees guidance provided by the Public Sector Audit Appointments Ltd (PSAA).

The Audit scope was designed to provide an audit that complied with all professional requirements. The audit approach was risk based and primarily driven by the factors considered to lead to a higher risk of material misstatement. Three significant risks had been identified and were consistent for a Fire and Rescue Authority of this size. These were:

- Management override of controls
- Property, plant and equipment valuations
- Defined benefit liability valuation

In their Value for Money work the External Auditors were required to form a conclusion as to whether the Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. National Audit Office guidance required work to be carried out at the planning stage of this work to identify whether a Value for Money risk exists. Risk, in the context of value for money work, was the risk that the auditors come to an incorrect conclusion rather than the risk of the arrangements in place being inadequate. For the 2017/2018 financial year one significant risk to the Value for Money work has been identified. This was:

- Pressure on financial resources

To mitigate this risk the auditors would review the updated Medium Term Financial Strategy (MTFS) of the Authority to ensure it reflected the latest funding position and review and update their knowledge of the arrangements the Authority had in place to monitor progress against its savings plans and income projections that underpinned the MTFS. They would also assess the impact of the final position for repayment of the pensions over claim on financial sustainability.

Gavin advised the Committee that the overall materiality threshold had been set at £758,000 which was 2% of the gross revenue expenditure. The trivial threshold for errors to be reported to the Governance Committee is £23,000. This was 3% of the overall materiality threshold. Errors under this amount would still be identified but not reported to this committee.

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

Audit Progress Report – March 2018

Gavin Barker, Mazars LLP, presented the Audit Progress Report to the Committee. This report provided an update on progress in delivering their responsibilities as external auditor to the Fire Authority and to highlight key emerging national issues and developments which may be of interest.

Highlights included:

- The key challenge for this year was to adhere to the new statutory timetable for accounts production and audit. Officers planned to produce the draft accounts requiring certification by the end of May 2018 and the auditors aimed to complete their audit by the end of July 2018. Last year Tyne and Wear Fire Authority were named as one of 83 principal bodies where audit opinions were issued before 31st July 2017, reflecting the work carried out to bring forward the accounts and audit timetable a year earlier than formally required.
- Following a procurement exercise by the Public Sector Audit Appointments (PSAA) Mazars LLP would continue to provide external audit services for the Fire Authority. The proposed audit fee for the 2018/2019 audit was £23,590 which is a 23% reduction on this year's fees.

Councillor Burdis recorded her thanks for the hard work carried out that ensured the accounts and audit work were completed within the new timeframes a year early. She also passed on her thanks to Mazars for the reduced audit fee that will apply for next year's audit work.

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

(Signed) G. COOK,
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.

