

**Item 3**

Minutes of the meeting of the  
GOVERNANCE COMMITTEE held  
in the Fire and Rescue Service  
Headquarters, Barmston Mere on  
MONDAY 25 SEPTEMBER 2017 at  
10.30 a.m.

**Present:**

**Item**

Mr G. N. Cook in the Chair

Councillors Burdis, Dodds, Emerson, Kilgour and Maughan.

**In Attendance:**

Gavin Barker (Mazars LLP)

**Apologies for Absence:**

Apologies for absence were submitted to the meeting on behalf of Ms G Goodwill and Mr M Knowles together with ACO J. Baines.

**Declarations of Interest**

There were no declarations of interest.

**Minutes**

9. RESOLVED that the minutes of the meeting of the Governance Committee held on 31 July 2017 be confirmed and signed as a correct record.

## **Statement of Assurance and Annual Report**

The Strategic Finance Manager and the Assistant Chief Fire Officer Organisational Development submitted a joint report to present the Statement of Assurance and Annual Report 2016/17 (Appendix A) to members for information. The Statement of Assurance and Annual Report was approved by Fire Authority on 11 September 2017.

The Strategic Finance Manager drew attention to the finalised Statement of Assurance and Annual Report which was tabled at the meeting. He reminded Members that the Fire Authority had already considered the report however it was an important document to inform stakeholders how Tyne and Wear Fire and Rescue Authority performed during 2016/17, how much was spent and what it was spent on. This document also met the requirements placed on the Fire Authority by Government as part of the Fire and Rescue National Framework 2012, to prepare an annual Statement of Assurance.

The Committee was advised that the one of the principal aims of the statement of assurance was to provide an accessible way in which communities, Government, local authorities and partners could make a valid assessment of the Authority's performance. The Statement would be published on the Authority's website.

The Strategic Finance Manager highlighted a summary of the performance for 2016/2017. He advised that a total of 15459 incidents were attended in 2016/17 with an average response time of 5 minutes 24 seconds. He explained that in 2015/16 the Service had responded to dwelling fires faster than any other Metropolitan Authority and were second fastest compared to all fire and rescue services in the country. He added that comparator figures were not yet available for 2016/17 but with only a minor change in response times for 2016/17 it was expected to be amongst the fastest again for 2016/17.

Councillor Burdis referred to the service performance information on page 28 of the agenda. She enquired whether resources had been reduced in relation to partnership working which might have contributed increase in deliberate fires since the previous year and if anything had been learnt from that approach. The Chief Fire Officer explained that the causes of the secondary fires during that time had been investigated. He reported that it was proving to be much more difficult to remove fuel sources from the streets and this could be linked to the circumstances of these types of fires. He advised that the Service would continue to liaise with local authorities in view of the broader impact of austerity across communities.

Consideration having been given to the report, it was:-

10. RESOLVED the content of this report and the Statement of Assurance and Annual Report be noted.

## **Internal Audit Progress Report**

The Head of Internal Audit submitted a report to set out the performance of Internal Audit up to August 2017, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

Members were directed to the key performance indicators (KPIs) for the Internal Audit service shown at Appendix 1. All of the KPIs were on target as detailed. There had been six audits included in the plan for the year, namely:-

- A review of the arrangements in place for partnership working with Impeller and the Police. This was completed at the end of August and there were a number of findings to discuss with the Chief Fire Officer before the review was finalised.
- An audit of financial management arrangements was currently nearing completion.
- The remaining four audits, detailed in paragraph 4.3 of the report, were scheduled for quarters 3 and 4 of the year and opinions were expected to be completed in due course.

The Head of Internal Audit drew attention to the current overall opinion against each risk, based on the last three year's audit work. He reported that the position remained very positive and a straightforward update would be provided in the next progress report.

Councillor Dodds enquired what other inspections the Authority would expect to see in the future. The Head of Internal Audit advised that it would not be unusual for reports from other inspectorates to be reported to this Committee. The Chief Fire Officer reported that he would be meeting with HM Inspector of Fire and Rescue Services on 10 October and the action and inspection report would be submitted to a future meeting of the Committee.

Councillor Dodds queried whether the inspection would be examining where further service savings could be made. The Chief Fire Officer explained that the inspection indicated would be based on service outcomes for the community which was welcomed. He added that the Authority would have sight of the report prior to its publication.

In response to Councillor Burdis' query in relation to the number of audits completed and programmed for the year, the Head of Internal Audit explained that it was not expected to be able to undertake a huge number of audits per quarter. He advised that it was more important to identify that all risks were mitigated against. He agreed to provide a timetable to future meetings identifying progress against audits and highlighting work from previous years to show a three year coverage.

The Strategic Finance Manager requested Members to be mindful that a couple of the audits had had to be delayed in order to close the Authority's accounts early in order to prepare to meet the new deadlines which would be compulsory in future years.

11. RESOLVED that the Internal Audit Progress Report be noted.

### **Audit Progress Report – September 2017**

The external auditor's regular Audit Progress Report covering the period up to September 2017 was submitted.

Gavin Barker highlighted that the 2016/17 audit had been completed early, ahead of the statutory requirement to bring the timetable forward from next year and the Annual Audit Letter had been presented to the full Authority on 11 September 2017.

Gavin advised that the 2017/18 audit timetable had commenced. He explained that during the 2016/17 audit areas for improvements had been identified for the following year's audit.

Gavin then drew attention to the outcome of the Public Sector Audit Appointments Limited (PSAA) national procurement of audit contracts for local government and related bodies that would run for five years from the 2018/19 audits, with an option to extend by a further two year. He reported that the procurement applied to those bodies which opted to be part of it, which included the Tyne and Wear Fire and Rescue Authority.

The Committee was advised that the PSAA had estimated that the procurement pointed to a possible scale fee reduction of the order of 18% from 2018/19 audits. PSAA was currently consulting bodies on individual auditor appointments.

The attention of the Committee was then drawn to the comparative performance for audit quality and regulatory compliance and Gavin was pleased to report that Mazars had scored a green light in all areas.

Consideration having been given to the report, it was:-

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

### **Treasury Management – Half Yearly Review of Performance 2017/2018**

The Strategic Finance Manager submitted a report on the Treasury Management (TM) performance to date for the second quarter of 2017/2018.

The Strategic Finance Manager highlighted that the Treasury Management function continued to look at ways to maximise financial savings and increase investment return to the revenue budget. He reported that the PWLB rates continued to be volatile due to uncertainty over the outcome of Brexit negotiations and the position continued to be monitored closely.

The Strategic Finance Manager reported that the Authority's interest rate on borrowing was very low, currently 3.40% which was a tremendous achievement, and as such the Authority continued to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises.

Turning to the Treasury Management Prudential Indicators, the Strategic Finance Manager advised that they were regularly reviewed and the Authority was within the limits set for all of its TM Prudential Indicators for 2017/18. The investment policy was also regularly monitored and reviewed to ensure it had flexibility to take full advantage of any changes in market conditions which would benefit the Authority.

More detailed Treasury Management information was included in Appendix A for information. The regular updating of the Authority's Authorised Lending List was required to take into account all recent financial institution mergers and changes in institutions' and Sovereign credit ratings. The Lending List Criteria and Approved Lending List as shown in Appendices B and C respectively had been updated to reflect this.

In accordance with Treasury Management best practice, a risk analysis of the Treasury Management functions had been carried out and included in Appendix D for information which set out how the risks associated with the Treasury Management function were managed on behalf of the Authority.

In relation the Approved Lending List, the Strategic Finance Manager clarified that since the last report, the Government no longer holds any shares with the Lloyds Banking Group and as they were no longer covered by the Government's credit rating, the individual credit rate applied.

It was noted that the UK credit rating was down and the Strategic Finance Manager explained that the limits on the criteria for Treasury Management were detailed in Appendix B of the report. He advised that the credit worthiness of everything had to be assessed and had to comply with the Code of Practice in Public Services. The criteria decided the limits held within each institution in the lending list. If the ratings became too low, the criteria would need to be relaxed or there would be nowhere to invest the funds. He added that all UK institutions had been rigorously stress tested to ensure that they could cope with another credit crunch scenario thus avoiding a damaging run on a particular bank. As a result of these developments the Cooperative Bank had decided to withdraw its banking and financial services to the public sector and hence their removal from the Authority's Lending List.

Consideration having been given to the report, it was:-

**13. RESOLVED that:-**

- (i) the Treasury Management (TM) performance during the year to the second quarter of 2017/2018 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.

## **Annual Audit Letter 2016/2017**

The Chief Fire Officer/Chief Executive (Clerk to the Authority) and the Strategic Finance Manager submitted a joint report to detail the Annual Audit Letter for 2016/2017 issued by the External Auditors, Mazars LLP. A copy of the Letter, was attached to the report at Appendix A.

Gavin Barker advised that the auditors had issued both an unqualified audit opinion and an unqualified Value for Money conclusion. The opinions were issued on 31 July as part of the trial run to prepare for the accounting timetable being brought forward for the 2017/2018 audit. This had been achieved as the result of the hard work and cooperation of officers involved.

The Annual Audit Letter summarised the audit approach and confirmed that this was compliant with the Code of Audit Practice and the International Standards on Auditing. Gavin outlined the significant risks which had been considered as part of the audit, the first two of these 'management override of controls' and 'pension entries' were common to all audits and he was happy to report that there was no evidence of any override of controls and that the pension entries had been correctly reflected in the financial statements.

Gavin highlighted that there was a significant risk in relation to the Home Office seeking to recover top up grant in respect of historic fire injury pensions which it was alleged had been overpaid to the value of £10.5 million. It was agreed to fully provide for this liability within the 2016/2017 financial statements as this was the correct way to account for this, notwithstanding the Authority's intention to make representations to the Home Office.

Turning to the Value for Money conclusion, the Letter set out the commentary on the key areas within the conclusion. Gavin advised that at the planning stage there had been no significant risks identified in relation to the conclusion, however when the potential Home Office liability had emerged, consideration had been given to whether this would lead to a qualification, but it was determined that officers were handling the problem in an appropriate and measured way.

In terms of the auditors' other reporting responsibilities, there was nothing to bring to the Authority's attention and the final fee for the audit work was confirmed in the letter as £30,636. When considering future challenges, the auditors had noted that the Authority had a good record of dealing with austerity, however there was still a budget gap of £2.8 million to be met through the IRMP process. The decision of the Home Office did place a significant financial burden on the Authority and this was recognised within the Annual Audit Letter.

Consideration having been given to the Annual Audit Letter, it was:-

14. RESOLVED Members are recommended to note the report.

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

15. 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 the financial or business affairs of any particular person (including the Authority holding that information) (Local Government Act 1972, Schedule 12A, Part I, Paragraph 3).

(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.

