

Minutes of the meeting of the
GOVERNANCE COMMITTEE held
remotely using **Microsoft Teams**
and **livestreamed on YouTube** on
Friday 28 AUGUST 2020 at
10.30 a.m.

Item 3 (ii)

Present:

Mr M. Knowles in the Chair

Councillors Burdis, Flynn, Kilgour, Woodward and Miss G. Goodwill.

In Attendance:

Diane Harold (Mazars)

Apologies for Absence:

Apologies for absence were submitted to the meeting on behalf of Councillor Dodds and Mr. G. Cook.

Declarations of Interest

There were no declarations of interest.

Minutes

1. RESOLVED that the minutes of the meeting of the Governance Committee held on 13 March 2020 were confirmed and signed as a correct record, subject to the grammatical error being amended.

Internal Audit Annual Report 2019/2020

The Head of Internal Audit submitted a report to consider the performance of Internal Audit for 2019/2020, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service.

Members were advised that performance during the year was shown at Appendix 1 and that all KPI targets were achieved.

The findings of the 2019/20 audits had 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 was provided at Appendix 2 of the report.

The Head of Internal Audit referred the Committee to section 4.2 of the report which reflected that there were no high or significant risks arising from the audit, with 8 medium and 14 low risks being identified.

In summary, the work undertaken, did not identify any matters material to the overall internal control environment of the service.

Members were asked to note that one audit originally planned to be completed in 2018/19 related to a review of the contract management arrangements in place for a sample of key contracts. At the request of the Chief Fire Officer, this audit was deferred until 2019/20 and an audit originally scheduled for 2019/20 relating to a review of the process followed for the implementation of the Core HR system, phase 1, was subsequently brought forward.

An additional, unplanned audit, was undertaken in 2019/20 following this identification of a totaling error in an Authority report dated 5th November 2018 detailing a major review of Response, centred around the Integrated Risk Management Plan (IRMP). Internal Audit was asked to review the reasons for the error, and provide assurance on the wider content within the report.

Councillor Woodward asked for further information in relation to the moderate opinion for the Managerial Assessment Programme and was advised that this related to arrangements for managerial promotion. Arrangements were found to be well designed, with just a small number of issues being identified.

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 2019/20, it was considered that overall throughout the service there continued to be a good internal control environment.

2. RESOLVED that the Internal Audit Annual Report be noted.

Treasury Management – Annual Review of Performance 2019/2020

The Finance Director submitted a report setting out the annual borrowing and investment performance for the financial year 2019/2020 in accordance with the requirements of the Treasury Management Policy Statement and Treasury Management Strategy approved by the Authority on 18th March 2019.

Members were advised that the average rate of the lead authority's borrowing at 2.90% compared favourably when benchmarked against other authorities and had helped to keep the revenue cost of the Authority's borrowing low in comparison. This being one of the lowest in the Country.

Whilst the worldwide response to Covid-19 that had developed since mid-March had had a significant impact on financial markets and economic forecasting, as the crisis only developed late in the financial year, the impact on the treasury management strategy and policy in 2019/2020 had been minimal.

The Finance Director advised the Committee that the Authority had benefited from the fact that its budgeted investment income had been maintained throughout the year at a rate of return of 0.73% in 2019/2020 compared to the benchmark rate of 0.53%, which was a positive outcome for the financial year.

Members were then advised that the Authority had not exceeded any of its Treasury Management Prudential Indicators during 2019/2020. This limit was set at £48.352m for 2019/2020 and the highest level reached by the Authority of £39.628m during the year, was below this limit.

Referring to section 4.4 of the report, the Finance Director explained the 1% increase to the PWLB loan rates imposed by government on the 9th October 2019, and advised that borrowing had been taken out prior to that increase.

3. RESOLVED that the report be noted and endorsed.

Annual Governance Review 2019/2020

The Chief Fire Officer/Chief Executive (Clerk to the Authority), the Finance Director and the Personnel Advisor to the Authority submitted a joint report to present the findings of the 2019/2020 Annual Governance Review and for the Committee to note the Annual Governance Statement that was incorporated into the Statement of Accounts.

The Finance Director advised the Committee that the Authority, on 13th July, 2020, approved the Annual Governance Statement, as this was the last meeting planned for Authority before the Statement of Accounts 2019/2020 needed to be published (31st August 2020) in line with the revised accounting regulations.

Under normal circumstances, this would have been submitted to the Committee for review and scrutiny prior to being submitted to the Authority, however on this occasion, these were circumstances beyond the Authority's control, due to the COVID-19 Pandemic.

Members were referred to Appendix A of the report (Local Code of Corporate Governance) and advised that the Annual Governance Statement had been prepared in accordance with these procedures.

Section 3 of the report explained the methodology of the review, and Members were referred to the diagram on Page 26 of the agenda. The review comprised functional self-assessments, Area Manager controls assurance statements, Evaluation of internal control arrangements, views of Elected Members and an annual review.

The Finance Director then referred to Section 4 of the report, which explained in detail, the findings of the Corporate Governance Steering Group and commented that in the summer of 2019, the Authority received a rating of 'GOOD' from HMICFRS in relation to effectiveness, efficiency and people.

The Annual Governance Statement had been drafted taking into account all of the findings of the Annual Governance Review, finding only minor improvements needing to be made in a small number of areas. This was attached at Appendix D of the report.

It was concluded that, based on the evidence examined, that the Authority had robust and effective governance and internal control arrangements in place.

A small number of actions had been identified, as detailed in Appendix E of the report.

Councillor Woodwark welcomed the report and asked for further clarification in relation to how governance arrangements requiring action, were subsequently followed up.

The Finance Director advised that actions were allocated to the appropriate officer and that they were requested to provide updates during the financial year. If it was felt that if an action had not been addressed, this would be increased in priority and also referred to audit for further review, if necessary. Members were assured that all actions were regularly monitored, and that they were not marked as complete until the necessary evidence had been provided.

The Vice Chairman commented that it would be useful for the Committee to have sight of the actions which had been completed throughout the year, at regular intervals. The Finance Director agreed to action this.

Councillor Woodwark referred to Appendix C of the report (Fire Authority Members' Questionnaire) and commented that it should be brought to the Committee's attention that 7 Members felt that (only most of the time) the Authority had effective arrangements to identify and deal with failures in service delivery.

Councillor Burdis commented that, whilst she appreciated why the report had been submitted to the Fire Authority prior to being received by the Governance Committee, it was important for the Committee to raise any issues in advance and therefore requested that the meetings be put back into synch, in order that a full debate could take place in advance of the report being approved. The Finance Director agreed to action this for future years.

Miss Goodwill commented that Appendix E included numerous abbreviations and that it would be useful if these could be interpreted. The Finance Director agreed to provide a glossary in future reports.

4. RESOLVED that:

- (i) The Annual Governance Review and the Annual Governance Statement for 2019/2020 be noted; and
- (ii) The Corporate Governance Action Plan 2020/2021 be noted.

Statement of Accounts (Subject to Audit)

The Finance Director submitted a report to provide members with:

- (i) An opportunity to scrutinise and question the draft Authority's Statement of Accounts for 2019/2020 (Subject to Audit) – (Appendix B), the Finance Officer's Narrative Statement and the Annual Governance Statement that were required to be published separately alongside the Accounts in accordance with the requirements of both the Accounts and Audit Regulations 2015 as amended by the requirements of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020;
- (ii) To provide members with details of the Statement of Accounts process and the key dates that electors had to challenge the accounts as revised statutory timescales had been affected by the government in light of the coronavirus pandemic; and
- (iii) To provide members with the Letters of Assurance required by the external auditor as part of the final accounts process.

Members were reminded that the deadline for certified accounts had been amended from 31st May 2020 to the 31st August 2020, due to the COVID-19 Pandemic and that audited accounts would now be published by the 30th November, as opposed to the end of July, in line with the revised deadlines (Appendix E).

The Finance Director then explained the publication requirements and highlighted that the period for the exercise of public rights had now been amended to include the first 10 working days of September 2020, ending mid October.

Members were referred to Section 3 of the report and advised that the Authority notified the public and its local electorate of its intentions to Comply with the revised Audit (Coronavirus) (Amendment) Regulations 2020 by publishing a formal Notification on its Website on 31st May 2020 (Appendix A).

The draft financial statements for 2019/2020 subject to audit (Appendix B) were to be certified by the Finance Officer in accordance with the regulations. The narrative statement also provided a helpful summary (Appendix C).

In accordance with the requirements the Annual Governance Statement (AGS), had to be published, and was attached at Appendix D of the report.

The Finance Director referred Members to the narrative statement and commented that the Authority was performing well operationally, achieving a rating of 'Good' from HMICFRS across all 3 levels.

The Authority published its Efficiency Plan in 2016, which identified savings totalling £8.248m to be achieved over the four-year period. The Finance Director advised that the Authority had overachieved, realising savings of £9,287m.

With regards to COVID-19 financial implications, information in relation to how the service had reacted to the pandemic, was set out in detail within the report. It was estimated that the income from Council Tax and Business Rates was expected to reduce nationally by 2.88% and 4.54% respectively. Based on these projections, this would effectively reduce income by an estimated £0.885m. Government were therefore considering this as part of the Comprehensive Spending Review (CSR), due later in the year.

Members were then advised that the budget underspend of c£1.5m was due to a budget review and the implementation of an IRMP action to realise savings. In addition to this, savings of £146,00 had been realised due to lower debt charges and interest received had been c£188,000 more.

The Vice Chairman asked for any comments by the External Auditor and the committee was advised that the audit was due to start in 2 weeks time and that a report would be submitted to the November meeting.

5. RESOLVED that:

- (i) Both the draft and unsigned Statement of Accounts 2019/2020 (subject to audit) and the separate Statements, which were set out in more detail in Appendices B to D of the report, in complying with the requirements of the Accounts and Audit Regulations 2015 and the amendments set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, be noted;
- (ii) The contents of the Letter of Assurance from those charged with Governance (Appendix F) be approved and,
- (iii) The Letter of Assurance from those charged with discharging management processes and responsibilities (Appendix G) be noted.

Treasury Management – First Quarterly Review 2020/2021

The Finance Director submitted a report on the Treasury Management Performance for the first quarter of 2020/2021.

Members were advised that Public Works Loan Board (PWLB) rates had continued to be volatile, primarily in response to the economic impact of Covid-19 and that they also reflected continued uncertainty over the outcome of Brexit negotiations. No new borrowing had been taken out to date during 2020/2021, however Sunderland City Council continued to monitor the position closely.

It was noted that the Authority's interest rate on borrowing was very low, currently 2.90%, and as such the Authority continued to benefit from this low cost of borrowing and from the ongoing savings from past debt rescheduling exercises.

The Authority had benefited from investment income in the first quarter of over £49,500 in cash terms based on a higher rate of return in 2020/2021 of 0.72% compared to the benchmark of -0.04%, however the authority was likely to lose c£40,000k due to the new interest rates being applied, and therefore this budget would not be achieved.

The Lending List Criteria and Approved Lending List as shown in Appendices B and C, respectively had been updated to reflect this.

6. RESOLVED that:

- (i) the Treasury Management performance for the first quarter of 2020/2021, 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.

The Vice Chairman confirmed that the livestream of the meeting had ended

(Signed) M. KNOWLES,
Vice-Chairman

