

Central Scotland Joint Fire and Rescue Board Final Management Letter 2005/06



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Statement of Responsibilities of Auditors and of Audited Bodies

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Our reports and management letters are prepared in the context of this statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the use of the audited body and the Auditor General only, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Section 1: Executive Summary

Introduction

- 1.01 As part of our normal audit process of Central Scotland Joint Fire and Rescue Board (“the Board”), we enclose our Final Management Letter detailing our findings and recommendations arising from our final audit visit for the financial year ended 31 March 2006. Our statutory duties as your external auditors are derived from the Local Government (Scotland) Act 1973 and are contained within the Code of Audit Practice (“the Code”) which has been approved and issued by Audit Scotland.
- 1.02 It should be appreciated that the matters dealt with in this report came to our notice during the conduct of our normal procedures, which we carried out in accordance with the framework and principles embodied in the Code.
- 1.03 As a result, we may not have identified all the control weaknesses and other issues, which may exist. It is the responsibility of the Board and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as auditors is to evaluate significant financial systems and associated internal controls and to report to management the specific weaknesses identified. In practice, we do not examine every financial activity and accounting procedure and we cannot substitute for management’s responsibility to maintain adequate systems of internal control over financial systems.
- 1.04 The report is intended to assist the Board in identifying and responding to control weaknesses surrounding the production of certain management information and processing systems. The report is not intended to provide information or advice to any person not associated with the Board and we accept no responsibility to such persons. Specifically, the report should not be interpreted as providing legal advice to the Board or any other person.
- 1.05 The prime responsibility for the prevention and detection of fraud and irregularities rests with the Board. It also has a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

Scope of our work

- 1.06 The year-end financial audit is undertaken to support our opinion placed on the accounts and submitted to Audit Scotland by 30 September 2006 following the financial year of audit. In undertaking our audit of the annual accounts we do, on occasion, identify weaknesses in the systems of financial control, which, although not affecting the opinion on our audit certificate are required to be brought to the attention of the Board. As a result the matters identified by us during this process are detailed in the sections following.

1.07 Our findings have been categorised terms of priority as follows: -

Higher Priority Recommendation: A key control is absent or inadequate. The existence of the weakness identified, taken independently or with other findings, significantly impairs the overall system of internal control.

Medium Priority Recommendation: Although for the most part satisfactory, an element of control is missing or only partial in nature. The existence of the weakness identified, taken independently or with the other findings, does not significantly impair the overall system of internal control.

Low Priority Recommendation: The element of internal control is satisfactory. Although a control weakness was identified, the existence of the weakness, taken independently or with the other findings does not impair the overall system of internal control.

1.08 This report contains three medium level recommendations relating to fixed asset impairment reviews (2.01), government grant deferred account (2.02) and tendering procedures (2.03).

Follow up process

1.09 The recommendations above have been reported to management as set out in the action plan following the Report to Members. The recommendations in sections 2.01 – 2.03, made in this report, will be followed up as part of the 2006/07 audit to ensure that they are implemented as agreed by Management.

Acknowledgements

1.10 We would like to express our thanks to Officers of the Board who assisted us during our external audit work.

Section 2: Detailed Findings and Recommendations

Finding	Risk	Priority	Recommendation
Fixed Asset – Impairment Reviews			
2.01 Our year end audit process highlighted that the Falkirk Fire Station has a useful life in excess of 50 years. Applicable accounting practice (i.e. the 2005 SORP and FRS 15) requires fixed assets to be subjected to an annual impairment review and as part of this review, the asset life should be revisited and amended where required.	The Fire Station may not remain operational for 50 years.	Medium	Board Management should undertake an annual impairment review for all assets with remaining useful life in excess of 50 years.

Finding	Risk	Priority	Recommendation
Government Grant Deferred Account			
2.02 The Board does not have a Government Grant Deferred Account in the Annual Accounts; as required by applicable accounting practice (the 2005 SORP).	Grant money may not be properly accounted for in the Annual Accounts.	Medium	Board Management should ensure that all grants received in advance are correctly recorded in a Government Grant Deferred Account.

Finding	Risk	Priority	Recommendation
Tendering Procedures			
2.03 During our audit work we highlighted that the Board had commissioned management consultants to perform a “healthcheck of Fire Service” in advance of the Audit Scotland led Performance Audit Review of the Scottish Fire and Rescue Authorities. We understand that the cost of this work was £27,000 and in accordance with Standing Financial Instructions, should have been subject to a full tendering procedure. We have been advised that the appointment of these consultants was recommended the Chief Inspector of Fire Services to enable benchmarking with three other Scottish Fire Services who were all using the same consultant. We understand that the appointment was verbally agreed by the Convenor and the Chief Finance Officer, however in accordance with the Standing Financial Instructions, retrospective approval should have been provided by the Board.	Tendering procedures may not be followed and inappropriate expenditure may be incurred.	Medium	Senior Officers and Members should ensure that appropriate approval is provided and minuted for future similar transactions.

Appendix A - Action Plan

Ref	Recommendation	Management Response	Responsible Officer	Implementation Date
2.01	Board Management should undertake an annual impairment review for all assets with remaining useful life in excess of 50 years.	Agreed. An impairment review will be undertaken as part of the 2006/07 accounts.	Capital Manager	For 2006/07 final accounts
2.02	Board Management should ensure that all grants received in advance are correctly recorded in a Government Grant Deferred Account.	Agreed. A government grant deferred account will be established for the 2006/07 accounts.	Capital Manager	For 2006/07 final accounts
2.03	Senior Officers and Members should ensure that appropriate approval is provided and minuted for future similar transactions.	Appropriate approval will be obtained for similar transactions which arise.	Chief Fire Officer	Immediate

Appendix B - Disclosures

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