



HENDERSON LOGGIE

**Tayside Fire and Rescue Board**

**Report to Members and the  
Controller of Audit**

**2006/2007**

**External Audit Report No: 2007/04**

**Draft Issued: 22 October 2007**

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# Executive Summary

## 1.1 Financial

- 1.1.1 The audit of the 2006/07 financial statements has been completed within the timescale advised by Audit Scotland. Our opinion on the financial statements is unqualified. The statements have been properly prepared in accordance with the Local Government Scotland Act 1973.
- 1.1.2 On 27 August 2007 our audit report no. 2007/03; *Report to those charged with Governance on the Audit of Tayside Fire and Rescue Board* was issued. We agreed with the Board's management that the communications required under ISA 260 would be with the Treasurer. The report provides audit comment on the key issues, audit adjustments and audit opinion arising from the audit of the financial statements and of the financial system of internal control.
- 1.1.3 The Board's Income and Expenditure Account shows a deficit for the year of £9.232 million. After adjusting for amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance, there is a reported increase in the General Fund Balance of £0.062 million for the year. The total balance carried forward on this fund at 31 March 2007 is £1.418 million; £0.582 million has been earmarked for pension commutations and £0.836 million is available to meet future contingencies.
- 1.1.4 We are pleased to report that there are no recommendations or action plan arising from this year's audit.

## 1.2 Governance

- 1.2.1 Members of the Board and the Performance Monitoring Sub-Committee are drawn from the three constituent Councils. As a result of the May 2007 elections, a number of Councillor Members, including the Convener, have been replaced with new Councillors. Training for new Councillor Members has been arranged to ensure they are knowledgeable of the Board's responsibilities.
- 1.2.2 The change in the political makeup of the constituent councils will require a build up of relationships to ensure the Board is effective in delivering its statutory and corporate objectives.
- 1.2.3 The Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of performance. Officers provide the Board and the Performance Monitoring Sub-Committee with reports and statistical data to enable Members to make informed decisions and challenge where appropriate.
- 1.2.4 The Board took part in the National Fraud Initiative (NFI) in Scotland during 2006/07. No frauds or errors have been found.



# Executive Summary

## 1.3 Performance

- 1.3.1 Strategic planning is set out in the Board's medium and long term plans articulated through its five year strategies covering the four areas of Prevention, Intervention, People and Performance. The Board's vision, "Protecting the Community", encompasses these four strategic aims.
- 1.3.2 The 2006/07 return to Audit Scotland for SPIs was made by the 31 July 2007 deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all indicators.
- 1.3.3 Audit Scotland's 2006 Audit Performance Report published following a review in 2006 was presented to the Board on 29 January 2007. The overall conclusion of the report is that Tayside Fire and Rescue Board has a clear vision, widely communicated and clearly understood, reflecting the requirements of the Fire and Rescue Framework for Scotland. An action plan was agreed following publication of the local report.
- 1.3.4 We were requested to follow-up the financial improvement agenda items within the agreed action plan and our findings are detailed at 3.10. Whilst varying amounts of progress have been made with each action point there is still some work to do to fully implement all the agreed actions.



# Introduction

## 2.1 Introduction

2.1.1 We are pleased to submit our first annual report covering significant matters arising during the course of our audit of Tayside Fire and Rescue Board (the Board) for the year ended 31 March 2007.

2.1.2 The framework under which we operate under appointment by Audit Scotland is as outlined in our *Risk Assessment, Annual Plan and Fee Proposal for 2006/07* (Report 2007/01 issued on 9 February 2007). The respective responsibilities of Board members, officers and the auditors are set out in Appendix I to this report.

2.1.3 Broadly the scope of our audit was to:

- ❑ provide an opinion on the financial statements in accordance with the standards and guidance issued by the Auditing Practices Board;
- ❑ review and report on the Board's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Board's financial position;
- ❑ review and report on the Board's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value; and
- ❑ review and report on whether the Board has made adequate arrangements for collecting, recording and publishing prescribed performance information.

2.1.4 Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Board.

## 2.2 Basis of Information

2.2.1 External auditors do not act as a substitute for the Board's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.

2.2.2 We have raised a number of issues during the course of our audit, including matters highlighted in our *Report to those charged with Governance on the Audit of Tayside Fire and Rescue Board* (ISA 260 report); Report 2007/03 issued on 27 August 2007. The main points from our reports are summarised in this report.

2.2.3 To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff at the Board. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

## 2.3 Acknowledgement

2.3.1 Our audit for this year has brought us in contact with a wide range of staff within the Board. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our duties.



## 3.1 Audit Completion

- 3.1.1 We are pleased to report that the target date of 31 August 2007 for the audit completion and certification of the annual accounts was met.
- 3.1.2 In accordance with International Standard on Auditing (ISA 260) we issued our *Report to those charged with Governance on the Audit of Tayside Fire and Rescue and Board 2006/2007* (Report 2007/03 issued on 21 August 2007). We agreed with the Board's management that communications required under ISA 260 would be with the Treasurer. This report included our proposed audit certificate and detailed the agreed adjustments to the draft accounts arising from our audit.

## 3.2 Accounts Certification

- 3.2.1 On 30 August 2007 we issued our audit report expressing an unqualified opinion on the financial statements of the Board for the year ended 31 March 2007. We set out below a summary of the audit certification issues:
- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP the financial position of Tayside Fire and Rescue Board as at 31 March 2007 and income and expenditure during the year;
  - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973; and

- we were not obliged to make any adverse comment on the Board's Statement on the System of Internal Financial Control. This confirmed that the content of the Statement was not inconsistent with information arising from our audit work.

## 3.3 Financial Position

- 3.3.1 In accordance with the changes in the 2006 SORP the Board included an Income & Expenditure Account, a Statement of Movement on the General Fund Balance and a Statement of Total Recognised Gains and Losses in its accounts.
- 3.3.2 The Board's net operating expenditure of £36.019 million exceeded the income received from the constituent Council's contributions, resulting in a deficit for the year of £9.232 million reported in the Income and Expenditure Account.
- 3.3.3 This reported deficit is carried into the Statement of Movement on the General Fund Balance and adjusted for items required by statute and non-statutory proper practices to be credited to the General Fund of £9.294 million. The net effect of these adjustments is to increase the balance on the General Fund Balance by £0.062 million to £1.418 million as at 31 March 2007.
- 3.3.4 Details of the adjustments are reported in the accounts in note 6.1 on page 17. These adjustments are due to the Board being required to consider funding elements of expenditure on a different accounting basis, including capital investment which is accounted for as it is financed rather than when the fixed assets are consumed, and retirement benefits that are charged as amounts which become payable to pension funds, and pensioners, rather than as future benefits earned.



## 3.4 Financial Performance

- 3.4.1 Financial performance is measured against the financial budget set by the Board in January 2006 for 2006/07. In this regard the Board's Revenue Account shows a small underspend for the financial year of £0.154 million, comparing the budgeted expenditure on Net Cost of Services of £28.332 million against the actual expenditure on Net Cost of Services of £28.178 million.
- 3.4.2 The main reasons for this variance are an underspend on salary costs of £0.217 million and savings of £0.184 million against staff costs due to the FRS 17 actuary adjustment, with the balance being an overspend relating to operational activities of £0.175 million.
- 3.4.3 This outcome was achieved through close monitoring by both the finance team and budget holders throughout the year.

## 3.5 Pensions

- 3.5.1 Accounting for the costs of pensions presents a difficult challenge for Public Sector bodies. The amounts involved are large; the timescales long, the estimation process is complex and involves many areas of uncertainty that are subject of assumptions. Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future.

- 3.5.2 The Board accounts for three defined benefit pension schemes; the Local Government Pension Scheme (Tayside Superannuation Fund) administered by Dundee City Council and two Firefighters' Pension Schemes, the old Firefighters' Pension Scheme ("the Old Scheme") and the new Firefighters' Pension Scheme ("the New Scheme"). The Old Scheme was closed to new entrants from 6 April 2006 and the New Scheme came into effect on 6 April 2006. The Board's estimated pension liabilities at 31 March 2007 exceeded its share of assets in all three schemes.

**Table 1 – Pension liabilities**

<b>Estimated pension liabilities</b>	<b>2006/07</b>	<b>2005/06</b>	<b>Movement</b>
<b>Pension Scheme</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Local Government	1,567	2,409	(842)
Fire (the Old Scheme)	158,790	154,805	3,985
Fire (the New Scheme)	289	-	289
<b>Pension liabilities at</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>
<b>31 March</b>	<b>160,646</b>	<b>157,214</b>	<b>3,432</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>

- 3.5.3 The decrease in the Local Government Scheme liabilities for the year to 31 March 2007 is primarily due to an increase in the value of the scheme's assets reflecting improvements in the stock market.

## 3.5 Pensions (Cont'd)

- 3.5.4 The Firefighters' Pension Schemes are administered by Dundee City Council under the relevant pension regulations and are unfunded schemes in that there are no assets. The liabilities for the schemes represent the best estimate of the Board's future commitments to pay retirement benefits to existing pensioners and serving officers who will become pensioners in due course. The Actuary provided the valuations using similar financial assumptions to those used for the Local Government Scheme.
- 3.5.5 The full actuarial valuation of the Tayside Superannuation Fund was carried out as at 31 March 2005 and highlighted a deficit. The Tayside Superannuation Fund was measured on the basis of this valuation and increased for all known movements since then. The report recommended the following increased rates in the employers' contributions for the next 3 years as follows; 275% in 2006/07 rising to 315% of the employee contributions in 2008/09.
- 3.5.6 The increased pension liability has resulted in a negative net assets position in the Board's Balance Sheet. This is normally seen as an indicator of a body's inability to continue as a going concern however, as per Practice Note 10 '*Audit of financial statements of Public Sector Entities in the United Kingdom*' issued by the Auditing Practices Board (APB), it is not uncommon for public sector bodies to have an excess of liabilities over assets and in these circumstances, auditors should consider the circumstances in which a body may cease to continue in operational existence. Given that FRS 17 is concerned only with pensions accounting and does not, in itself, impact on the cash-flows or funding of the Board, the going concern basis is considered appropriate.

- 3.5.7 We are aware that the issue of future funding of Firefighters' pensions is being addressed at a national level.

## 3.6 Long Service Increments

- 3.6.1 The payment of Long Service Increments (LSI) by Tayside Fire and Rescue Board are now illegal due to legislation changes brought in by age discrimination legislation. The Board has entered into transitional arrangements to mitigate the ending of these, but has deferred payment until a final decision is made nationally on their pension treatment.
- 3.6.2 The Balance Sheet includes an accrual of £0.039 million for the transitional payments. National guidance was issued on 21 September 2007 and the transitional arrangements entered into by the Board will follow this guidance.

## 3.7 Reserves and Balances

- 3.7.1 All Boards hold reserves which consist of earmarked amounts set aside to support future years' expenditure and contingencies for unexpected events or emergencies. At 31 March 2007 the General Fund held by the Board totalled £1.418 million. The balance has increased by £0.062 million in 2006/2007 as a result of the overall surplus for the year after statutory and non-statutory adjustments.



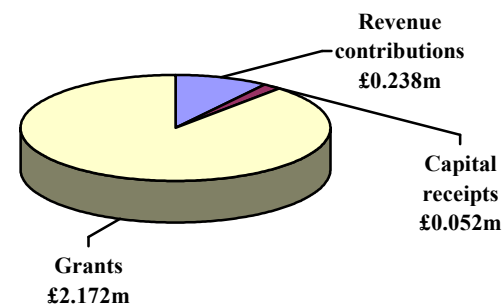
## 3.7 Reserves and Balances (Cont'd)

- 3.7.2 An amount of £0.582 million has been earmarked against the General Fund balance for pension commutations for those officers eligible to retire on or before 31 March 2007 who have continued in post.
- 3.7.3 The remaining element of the General Fund which has not been earmarked amounts to £0.836 million. Tayside Fire and Rescue Board are authorised to accumulate surpluses into reserves up to the statutory limit for Fire and Rescue Authorities as recommended by the Police and Fire Services (Finance) (Scotland) Bill 2001. This is 3% of the total of the funding paid to Fire Authorities in respect of the carry forward for each year and 5% as a cumulative total. The Board have met these thresholds.

## 3.8 Capital Expenditure

- 3.8.1 Capital expenditure is determined by the Board, based on the specific Scottish Executive (SE) grant, capital receipts and Prudential borrowing, if required. The total available funding for the capital programme was £2.503 million, made up of the SE grant of £2.172 million and capital receipts of £0.052 million which included 2005/06 capital grant brought forward from the previous year of £0.041 million and a small contribution from revenue (CFCR) of £0.238 million. Unutilised funding of £0.041 million is available to help fund capital expenditure in 2007/08. No borrowing was required.
- 3.8.2 Gross capital expenditure for the year amounted to £2.462 million. Funding for the capital expenditure was made up as follows:

Capital Expenditure Funding Sources 2006/07



## 3.9 Capital Accounting

- 3.9.1 The main movements on fixed assets were additions of £2.462 million on tangible assets which included £0.886 million on land and buildings, £0.942 million on vehicles and equipment and £0.634 million on assets under construction. Details of movements on fixed assets and capital accounting entries are disclosed in the accounts.
- 3.9.2 Regular capital expenditure monitoring reports against the plans have been submitted to the Board Members during the year. Details of the main movements on fixed assets for the year and the appropriate capital accounting entries are fully disclosed in the notes to the accounts.
- 3.9.3 We were satisfied with the Board's capital accounting arrangements for 2006/07 and that the entries for additions and disposals were not materially misstated.

## 3.10 Follow-up Audit Scotland Performance Audit Report 2006

- 3.10.1 As part of a national review Audit Scotland published their performance review of Tayside Fire and Rescue Board in 2006. We were requested to follow-up the financial improvement agenda items.
- 3.10.2 The first item was to improve the identification and monitoring of efficiency saving to ensure there is adequate budgetary provision to deliver the service once transitional funding has ceased. The Board is currently pursuing a number of initiatives in addition to those identified through integrated risk management planning (IRMP), and officers are confident this will allow them to plan within available budgets going forward. Further progress will be made when the details of the review of the funding mechanism are reported.
- 3.10.3 The second financial improvement agenda item is the devolvement of budgets to station level, ensuring training is in place to support this. This is not yet in place but is planned for consideration during 2007/08.
- 3.10.4 The third item is to ensure there are adequate internal audit arrangements in place. This has been achieved through a new Service Level agreement with Perth & Kinross Council for services from April 2007 to March 2010. For the year to 31 March 2007 there was an improvement in the internal audit service over previous years, with an annual assurance statement being produced for the Board by the Chief Internal Auditor of Perth & Kinross Council.
- 3.10.5 The final item is to develop an asset management strategy to demonstrate Best Value in the use of the Board's assets and to ensure that spending plans are affordable, prudent and sustainable. This item is currently being considered by an officers' Capital Planning and Monitoring Group. The Board is in the process of implementing an asset management system. The original timeframe for the implementation has been delayed but one station is currently piloting the system.

# Governance

## 4.1 General

- 4.1.1 The Board and the Performance Monitoring Sub-Committee met regularly during 2006/07 and both comprised of Members from the constituent Councils. The Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of performance.
- 4.1.2 We have observed the operation of the committees during the year. Members generally understand the issues they are considering and officers are held to account for implementation of recommended improvements to internal control systems. The Fire Executive encourages Members to be challenging in their consideration of reports submitted to both the Board and the Performance Monitoring Sub-Committee.
- 4.1.3 A revised operating structure to replace the current operating structure was reported to the Board meeting of 20 August 2007. The revised structure aligns the work of the Board more closely with Tayside Fire and Rescue's mission of "Protecting the Community" through the provision of the highest standard of fire safety and emergency response services to all of the communities served. This is to be achieved through the four strategic aims, prevention, intervention, people and performance; the first two aims are the responsibility of Service Delivery and the second two are primarily the responsibility of Service Support.
- 4.1.4 The Service Delivery Forum is to assume the role and responsibilities of the Integrated Risk Management Planning Sub Group relative to the prevention and intervention agenda. The Service Support Forum is to assume the role and responsibilities of the Integrated Risk Management Planning Sub Group relative to the people and performance agenda.
- 4.1.5 The Performance Monitoring Sub-Committee's decision making responsibilities are to be retained in relation to considering the content of all external and internal audit reports and the development of the revenue and capital budgets. The changes to the operating structure will be subject to audit review in due course.
- 4.1.6 Our high level review of the key controls for the Board's main financial systems found that for all of the main systems reviewed no material weaknesses were identified. Some minor areas of improvement were noted.
- 4.1.7 The review of the fixed assets system found that the financial regulations require to be updated to reflect current terminology under the Prudential Code rather than making reference to capital consent. It is proposed that the changes to the financial regulations would be presented at the Board meeting in January 2008.
- 4.1.8 We found that substantial progress has been made with updating the finance section manual. Work is continuing on an on-going basis to complete this document as part of the long term plans for the service. The payroll section of the manual is a longer-term item as the Board is about to change to a new system. Further progress with the manual and introduction of a new payroll system will be subject to audit review in due course.
- 4.1.9 Our review of the key controls has been issued and discussed with senior management and the results have been reported to the Performance Monitoring Sub-Committee in our *Financial Statements Audit Plan*; Report 2007/02 issued on 6 June 2007.



## 4.2 Member Information

- 4.2.1 Revenue and capital budgets and expenditure monitoring information is routinely presented to the Board. Other reports to committee are made in a standard format that includes financial implications of any decision that will be made and generally make it clear what Members are asked to do in terms of noting or decision making.
- 4.2.2 Officers submit detailed performance information on key operations to each cycle of meetings and a commentary is provided so that Members can focus on key data and trends.
- 4.2.3 The Board held a Members' Induction / Training day in July covering the future direction of the Fire Service locally and nationally. This included an insight into how each of Tayside Fire and Rescue Board's departments operate, together with their respective responsibilities. Further training will be provided where a need is identified.

## 4.3 Audit Committees - Effectiveness

- 4.3.1 The Performance Monitoring Sub-Committee has continued to function well, particularly in the run up to and following the May 2007 elections when membership of this committee changed considerably.
- 4.3.2 Members consider the outputs from both internal and external audit work and information from other sources. As with meetings of the Board, management provide more detailed information to the Performance Monitoring Sub-Committee on matters such as the Best Value elements of Audit Scotland's Performance Audit Report 2006.

- 4.3.3 Responsible officers attend the meetings to answer Members' questions. This is designed to generate discussion with Members and to increase their involvement with the development of Best Value reviews, annual public performance reports and other performance issues.

## 4.4 Reliance on Internal Audit

- 4.4.1 To minimise audit duplication we liaise with internal audit during our planning to identify areas of their work that we can place reliance on. For 2006/07 we agreed to place reliance on work covering the review of the Board's payroll and pension system and follow up of cash and banking. Following review of the files relating to these reports, we concluded that we could place reliance on the limited work and findings of internal audit.
- 4.4.2 During 2006/07 the Board's internal audit arrangements were provided by the internal audit section of Perth & Kinross Council through an informal Service Level Agreement. A new Service Level Agreement has been signed covering the three-year period for 2007/08 to 2009/10.
- 4.4.3 Last year Audit Scotland reported that internal audit did not provide an annual assurance statement on the adequacy and effectiveness of the Board's internal control system. In 2006/07 the Chief Internal Auditor has reported that "*on the basis of the audit work undertaken, reasonable reliance can be placed on the Board's system of internal control.*"

## 4.5 National Fraud Initiative

- 4.5.1 In 2006/07 the Board again took part in the National Fraud Initiative (NFI) in Scotland. The exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£27million to 2005) but, if fraud or overpayments are not identified by a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
- 4.5.2 The NFI 2006/07 results (data matches) were made available to audited bodies on 29 January 2007 via a new secure web-based application. Participating bodies follow up the matches, as appropriate, and record the outcomes of their investigations in the application. We monitored the Board's involvement in NFI 2006/07 during the course of our audit.
- 4.5.3 The Board submitted data for the matching exercise on time and began work on the results at an early stage. The web-based application was used to record outcomes and progress, and so no returns were required. Like other Fire Boards, the Board received very few matches for the mandatory datasets. The majority of these related to staff with other jobs, a common occurrence among retained firefighters. All matches were appropriately investigated, and Board staff have taken a most positive attitude to this exercise. No frauds or errors have been found.
- 4.5.4 Further non-mandatory datasets could be submitted voluntarily by participating bodies; the only relevant one for the Board was creditors' data. The Board took the decision that the risks involved did not justify the resources required to undertake this exercise.

# Performance

## 5.1 Strategic Planning

- 5.1.1 The Board develops medium and long term plans which are articulated through its five year strategies covering the four areas of prevention, intervention, people and performance. The plans are regularly reviewed to ensure they are up to date. Bi-annual service planning workshops lead to strategic objectives for the service, which are then followed by operational plans. The Board's vision, "*Protecting the Community*", encompassing the four strategic aims gives a high level of "corporate branding" and awareness of strategic direction. Individual managers / departments submit reports on progress against the service plan objectives and agreed performance information.
- 5.1.2 Budget Holders are asked to prepare annual Business Plans for their areas which include the budget requirements in line with the work priorities and objectives. As part of this process, each area considers how to gain Best Value from the Board's activities. In addition lists are prepared of contingency savings which can be applied should funding constraints become tight.

## 5.2 Performance Management

- 5.2.1 On-going performance management is undertaken in a framework that involves the senior management team and Members.
- 5.2.2 An Annual Public Performance Report 2006/07 has been published and reported to the Board on 11 June 2007. This report is available on Tayside Fire and Rescue Board's web-site: [www.taysidefire.gov.uk](http://www.taysidefire.gov.uk).

## 5.3 Efficient Government

- 5.3.1 All public sector bodies in Scotland are involved with the Scottish Executive's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings over a five year period through elimination of waste, bureaucracy and duplication.
- 5.3.2 The Board considers its Efficient Government activities within the budget setting processes. Cash savings and non-cash savings are identified once the Board is aware of their funding parameters.
- 5.3.3 A number of cash and non-cash savings were identified within the Audit Scotland Performance Report 2006 and these were as follows:

	<b>Annual recurring / one-off</b>
	<b>£m</b>
Cash savings	0.21
Non-Cash savings	2.01
<b>Total Savings</b>	<b>2.22</b>

- 5.3.4 All savings are recurring, with the exception of the station closure which is noted to be a one-off.





# Performance

## 5.3 Efficient Government (Cont'd)

5.3.5	The cash releasing savings include:	£'000
	<input type="checkbox"/> Introduction of rescue pumps	92
	<input type="checkbox"/> Station closure (one-off)	17
	<input type="checkbox"/> Review of supply of uniforms	22
	<input type="checkbox"/> Review pre-determined alarm attendances	52
	<input type="checkbox"/> Occupational Health Service review	31

5.3.6	The non-cash releasing savings include	£'000
	<input type="checkbox"/> More effective work routines	1,469
	<input type="checkbox"/> Redeployment of staff without additional finding	386
	<input type="checkbox"/> Pre-planned overtime funded within budget	155

5.3.7 Efficiency statement templates are currently being considered by the Chief Fire Officers Association (CFOA), and these may be rolled out nationally.

## 5.4 Procurement

5.4.1 A Procurement Strategy 2006/09 has been developed covering a range of procurement activities including Best Value and statutory obligations, leadership and responsibility, categories of procurement, purchasing guidance and best practice.

5.4.2 A procurement manager has been appointed to progress this strategy and this will include looking at consortia, joint negotiations and framework agreements.

## 5.5 Risk Management

5.5.1 Development of a Risk Management Strategy was identified as an improvement area by Audit Scotland and has been addressed as part of the 2008/09 service planning process. This will be subject to audit review in due course.

5.5.2 The Board did not agree a risk management strategy during 2006/07 as this was deferred with the introduction of the Civil Contingencies Act which covered both the operational and business continuity aspects of risk management.

5.5.3 The Business Continuity Management (BCM) document and plans are complete and available to be called upon in the event of an incident that threatens to interrupt day to day functions. Areas of training and exercising BCM are on-going and are to be rolled out. Once complete the BCM document is to be maintained by Corporate services.



## 5.6 Statutory Performance Indicators (SPIs)

5.6.1 The 2006/07 return to Audit Scotland for SPIs was made by the 31 July 2007 deadline. We concluded that the systems in operation for the production and publication of the SPIs were reliable for all indicators.

5.6.2 The Board's reported performance through the SPIs is summarised as follows:

### *Community Fire Safety*

The number of incidents resulting in casualties per 10,000 population has increased from 1.7 in the previous year to 2.2.

The number of fatal and non-fatal casualties per 10,000 population has increased from 2.4 in the previous year to 3.0.

The number of accidental dwelling fires per 10,000 population has decreased from 12.3 in the previous year to 11.8.

### *Sickness Absence*

The percentage of rider shifts lost during the year due to sickness and light duties has increased from 5.7% and 0.7% for the previous year to 7.1% and 1.0% respectively.

The percentage of working time lost due to sickness for all other staff directly employed by the Board has also increased from 5.3% the previous year to 5.7%.

The reported increases in sickness absence are due to a number of factors including:

- ❑ changes to the pension scheme which have resulted in fewer ill-health retrials. This has led to a corresponding increase in people staying in employment with medical issues resulting in an increase in the number of employees with long term conditions;
- ❑ difficulties in recruiting a Medical Advisor led to a back-log of sickness reviews and management referrals with employees being unable to return to duties as early as they could have done.

Increases in light duties due to measures such as phased return to work, should mean that more people will be able to return to meaningful duties prior to a return to full operational duties and should ease the rehabilitation back to work after long term absence.

### *Call Response Time*

The percentage of calls to incidents handled within the following time periods have decreased as follows:

- ❑ handled within one minute has decreased from 64.5% to 54.8%; and
- ❑ handled in less than two minutes has decreased from 94.6% to 90.8%.

# Performance

## 5.6 Statutory Performance Indicators (SPIs) (Cont'd)

### 5.6.2 *Call Response Time (Cont'd)*

The reduction in call handling times was partly due to the staff training and operation of the new mobilising system, Vision, which was installed in the Control Room in October 2006. This Windows based package will provide Control and Operational Staff with more accurate and comprehensive information.

## 5.7 Best Value Audits

5.7.1 There were no plans to carry out a Best Value review in the fire authorities during 2006/07. These elements were considered as part of Audit Scotland's Performance Audit Report 2006.

5.7.2 Audit Scotland will follow-up in due course and progress in implementing the agreed actions will be reviewed until all agreed actions have been fully progressed.



## Appendix I - Respective Responsibilities

### Respective Responsibilities of Members, Officers and Auditors

Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both Members and officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Board and the Treasurer's responsibilities for the Statement of Accounts are set out on page 11 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the abstract of accounts and report that opinion to you.

We are required to review whether the Board's Statement on the System of Internal Financial Control complies with the requirements of the Code of Practice for Local Authority Accounting in the United Kingdom 2006, a Statement of Recommended Practice (the 2006 SORP) and report any exceptions. We are also required to review the statement and report if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to give an opinion on the effectiveness of the Board's internal financial controls.



## Appendix II - Follow-up Action Plan for 2005/06

No	Issue and Risk	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at July 2007
1	<p><b>Statement on the system of internal financial control</b></p> <p>The Chief Internal Auditor did not prepare an Annual Report nor provide an independent opinion on the overall adequacy and effectiveness of the Board's internal control system to support the Treasurer in signing the Statement on the System of Internal Financial Control.</p> <p><i>Risk: The Board has no independent assurance that the internal financial control systems in operation are adequate and effective.</i></p>	Tayside Fire and Rescue Board are currently in the process of agreeing a service level agreement (SLA) with Perth & Kinross Internal Audit. This will establish a level of audit coverage which will allow the Chief Internal Auditor to provide an independent opinion on the adequacy of the Board's internal control systems.	Yes	Head of Corporate Services / Chief Internal Auditor	31 December 2006	Complete. New SLA in place, opinion by Chief Internal Auditor given and incorporated into the SSIFC in the 2006/07 financial statements.



## Appendix II - Follow-up Action Plan for 2005/06

No	Issue and Risk	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at July 2007
2	<p><b>Financial reporting</b></p> <p>Changes have been made to the 2006 SORP which will have a significant impact on the presentation of the 2006/07 financial statements to make them more consistent with the accounts of other public and private sector entities. The Board should take this opportunity to review the presentation of its budget and summary financial results to members and the wider public to ensure that financial planning and activity is fully transparent.</p> <p><i>Risk: In the event of insufficient preparation, the 2006/07 financial statements may not comply with the accounting requirements. Differences between financial reporting requirements and budget monitoring during the year may result in a lack of transparency for members of the public.</i></p>	Preparations are currently underway within Tayside Fire and Rescue Board which will enable the 2006/07 financial statements to be presented in accordance with the 2006 Statement of Recommended Practice.	Yes	Head of Corporate Services	31 March 2007	2006/07 financial statements presented in accordance with the 2006 Statement of Recommended Practice. Submitted for audit in time for the 30 June deadline.





## Appendix II - Follow-up Action Plan for 2005/06

No	Issue and Risk	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at July 2007
3	<p><b>Governance</b></p> <p>The Board requires to continue ongoing developments to improve governance arrangements, including the development of a risk management strategy, the robust asset management processes.</p> <p><i>Risk: The Board may fail to identify and manage significant risks to its objectives. The Board may be unable to demonstrate a robust, affordable and sustainable approach to capital planning in the longer-term.</i></p>	<p>The asset management process is continuing to be developed with a pilot of the asset management system due to start shortly involving a limited number of records.</p> <p>Tayside Fire and Rescue Board did not agree a risk management strategy during 2005/06 as this was deferred with the introduction of the Civil Contingencies Act which covered both the operational and business continuity aspects of risk management. The implementation of this Act is underway with Tayside Fire and Rescue Board during 2006/07 with an action plan in place and contracting of risk management consultants to assess our compliance with the Act. This will provide a forum from which the statutory responsibilities of the Civil Contingencies Act 2004 (Chapter 6: Business Continuity for Category 1 responders) can be identified, and identify a framework that will assist with the business continuity to be contained within the Contingency Planning (Scotland) Regulations 2005.</p>	Yes	Head of Corporate Services / Head of Technical Services	31 March 2007	<p>There have been delays due to a problem with the system vendor being withdrawn and responsibility being taken over by IBM. This has resulted in a new business relationship having to be established and subsequent delays in implementation. TFRB currently have one station live on the system as a pilot.</p> <p>The Civil Contingencies Act 2004 and the subsequent guidance places duties upon Category 1 responders of which one is Business Continuity Management (BCM). To ensure resilience at an acceptable level TFRB provide planning to continue to perform functions during an emergency that threatens services. The BCM document and plans are complete and available to be called upon in the event of an incident that threatens to interrupt day to day functions. The area of training and exercising BCM is still ongoing and will be rolled out as follows: (i) Operational watch awareness training is estimated to be completed by end October 2007 (ii) Senior manager level awareness training is estimated to be carried out by mid November (iii) Continual exercising of the document for the foreseeable future. Once the watch and senior Manager level awareness training is complete the BCM document can be handed over to Corporate services to maintain as previously agreed.</p>

