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Chartered Accountants

Tayside Fire and Rescue Board

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

2009/10

External Audit Report No: 2010-02

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Contents

| | Page |
|--|----------------|
| 1. Executive Summary | 1 - 2 |
| 2. Introduction | 3 |
| 3. Finance | 4 - 12 |
| 4. Governance | 13 - 17 |
| 5. Performance | 18 - 22 |
| 6. 2009/10 Action Plan | 23 - 28 |
| 7. Action Plan 2009/10 Review of Internal Controls | 29 |
| 8. 2008/09 Action Plan Updated | 30 |
| 9. Follow-up Action Plan of the 2007/08 Review of Internal Controls | 31 - 36 |
| | |
| Appendix I Respective Responsibilities | 37 |
| Appendix II ISA 260 Reporting to those Charged with Governance | 38 - 40 |
| Appendix III Audit Adjustments | 41 |
| Appendix IV Definition of Material, Significant and Trivial | 42 |
| Appendix V Acronyms | 43 |

Restriction on Use

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of Tayside Fire and Rescue Board's financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Tayside Fire and Rescue Board and the Performance Monitoring Sub-Committee and will be shared with the Accounts Commission and Audit Scotland; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.



1. Executive Summary

1. Our opinion on the financial statements is unqualified. The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of the Board and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.
2. The Board's Income and Expenditure Account shows a deficit position for the year of £8.132 million. After adjusting for amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance, the Board reported a decrease in the General Fund balance of £0.608 million.
3. For 2009/10 the Board has reported an actual deficit of £8.132 million against a budgeted deficit of £7.704 million, an overall variance against budget of £0.428 million. One of the main components of the variance was pension commutations of £0.464 million; the Board managed this variance through reserves in line with established practice and the Board's agreed reserves strategy.
4. The key risk for the Board for future years will be to manage within the budget available. Due to uncertainty about the future level of savings a one year budget has been set for 2010/11. In setting this budget the Board took cognisance of challenges ahead and has set a budget £1 million less than the notional GAE assessment whilst allowing for spend to save projects. In addition the Board has recognised that greater savings will be required in the three years following the setting of the 2010/11 budget.
5. We are pleased to report that for the main financial systems the majority of the expected key controls are in place. Recommendations which should help strengthen internal controls are included in the 2009/10 Action Plan in Section 7. The recommendations have been agreed with senior staff at the Board.
6. We have also followed up progress with recommendations from our 2008/09 Report to Members and from our 2008/09 Follow-up of the 2007/08 Review of Internal Controls. Progress is being made with recommendations from both reports, with one of the two actions from the 2008/09 Report to Members completed and three of the six actions from the Review of Internal Controls completed. Details of our follow-ups are included in Sections 8 and 9.

Governance

7. The approach to Best Value audits of fire and rescue boards is currently under consideration with Scottish Fire and Rescue Advisory Unit (SFRAU). Indications are that a pilot audit will take place towards the end of 2010. Best Value audits include a review of the governance arrangements in place.
8. The Board has not produced an Annual Governance Statement during 2009/10. While this is not a statutory requirement it is good practice and the Board should consider including an Annual Governance Statement within its statement of accounts for 2010/11 (paragraph 96, recommendation 5).
9. The internal audit service is provided by Perth & Kinross's internal audit department. We agreed that for 2009/10 our reliance on the work of internal audit would be limited and this was reported in our Annual Plan.
10. The Board's arrangements to prevent and detect fraud and other irregularities were found to be generally satisfactory.

1. Executive Summary

Governance (Cont'd)

11. The Local Government Investments (Scotland) Regulations 2010 were approved by the Scottish Parliament on 10 March 2010 and came into force on 1 April 2010. Authorities are required to prepare an Annual Investment Strategy before the start of the financial year and an Annual Investment Report within six months of the financial year end. The Board has yet to produce an Investment Strategy for 2010/11. (paragraph 119, recommendation 8)
12. The Board's Scheme of Administration, Standing Orders and Financial Regulations have still to be formally fully updated for changes previously agreed by the Board and reported to committee. This recommendation is the one outstanding action from our 2008/09 Report to Members. (page 29)

Performance

13. The Board's overall strategic document "***Towards a Safer Tayside***" includes the stated mission and aims covering the four areas of prevention, intervention, people and performance. Strategies for each of the four areas are monitored through the Service Delivery and Service Support fora.
14. The annual public performance report "***Towards a Safer Tayside 2009-10***" is published and available on the Board's website www.taysidefire.gov.uk. The Chief Fire Officer submitted this report to the May 2010 Board meeting.
15. The prescribed Statutory Performance Indicators (SPIs) contained in the Accounts Commission's 2008 Direction were submitted to Audit Scotland by the 31 August 2010 deadline. We concluded that in general the arrangements in place for the collation and checking of data for these specified indicators were adequate. However, we did identify an error in the prescribed indicator for 'Rider shifts lost due to sickness and light duties per fire officer', on the draft pro-forma submitted for audit review. This was subsequently amended and the correct figure submitted to Audit Scotland. This highlights the need for a review of the Board's procedures for documenting, collating and checking SPI information and a corresponding recommendation has been included in Section 5 – Performance to address this issue. (recommendation 10, paragraph 129)
16. Our review of the supporting documentation for the SPIs also identified a minor error in the Sickness Absence data reported in the annual public performance report "***Towards a Safer Tayside 2009-10***". This has been discussed with the Station Manager and arrangements will be put in place to ensure that the relevant figures are corrected in the version of the annual performance report available online. This will ensure that the Board complies with the statutory requirement to accurately report all SPI information, including the information required to demonstrate delivery of Best Value against the headings set out under SPI 3 in the 2008 Direction, by 30 September 2010.
17. The Board has now developed an overall risk management strategy which forms part of the Corporate Governance arrangements for the service. However this strategy has still to be fully implemented. (recommendation 11, paragraph 137)

Acknowledgements

18. Our audit 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.



2. Introduction

Introduction

19. We are pleased to submit our fourth annual report, covering significant matters arising during the course of our audit of the Tayside Fire and Rescue Board for the year ended 31 March 2010. This annual report is a combined document incorporating our ISA 260 Communication of Audit Matters to Those Charged with Governance and our Report to Members.
20. The framework under which we operate under appointment by Audit Scotland is outlined in Section 2 of our **Risk Assessment, Annual Audit Plan and Fee Proposal for 2009/10** (Annual Plan), Report 2010-01 issued on 26 February 2010. The respective responsibilities of members, officer and auditors are set out in Appendix 1 of this report.
21. Broadly the scope of our audit was to:
 - provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission
 - 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
 - review and report on whether the Board has made adequate arrangements for collecting, recording and publishing prescribed performance information
22. Our audit approach focused on the identification of strategic business risks and operational and financial risks impacting on the Board.
23. As part of our overall planning approach to the Board's annual audit we carried out a review of the key risks, national and local, facing the Board and reported how we would continue to monitor them during the year through attendance at Board and sub-committee meetings, review of minutes and discussions with officers. The main risks were reported in our Annual Plan and where appropriate we have included an update on these risks in this report. 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. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
24. In accordance with our Annual Plan we reviewed the Board's key internal controls and have raised some issues during the course of our audit. These issues are included in our Action Plan at Section 7 of this report.
25. We take this opportunity to remind you that 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.

3. Finance

Financial Statements Audit

26. We have given an unqualified opinion on the financial statements of the Board for the year ended 31 March 2010.
27. We set out below a summary of the audit certification issues:
- The financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Tayside Fire and Rescue Board as at 31 March 2010 and its income and expenditure for the year then ended
 - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973
 - the Statement on the System of Internal Financial Control complies with the SORP. We were not required to consider whether the statement covers all risk and controls or form an opinion on the effectiveness of Tayside Fire and Rescue Board's corporate governance and risk and control procedures.
28. Non-compliance with statute or regulations may materially affect the financial statements. Our audit procedures include the following:
- reviewing minutes of relevant meetings
 - enquiring of senior management the position in relation to litigation, claims and assessments
 - detailed testing of transactions and balances
29. We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.
30. We also request written confirmation from the Treasurer and the Head of Corporate Services that the Board's financial transactions accord with relevant legislation and regulations. They have confirmed that they are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the Board to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2010.
31. Under International Standard on Auditing (ISA) 260, we are required to communicate certain matters arising from the audit to those charged with governance. The Board previously agreed that the Treasurer was the person we should report to. The areas considered are summarised in Appendix II.
32. The main issues of note in relation to the accounts are:
- the net effect of agreed audit adjustments, discussed at paragraphs 35 and 36, below, is to reduce the deficit in the Income and Expenditure Account for 2009/10 by £0.066 million. There was no impact on the total General Fund Balance as the Income and Expenditure adjustments related to entries which are then cancelled in the Statement of Movements on the General Fund Balance (SMGFB). Appendix III contains details of the adjustments.
 - Note 6.21 to the financial statements, 'Events after the Balance Sheet Date', was amended to include the necessary disclosure relating to the Chancellor of the Exchequer's announcement that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases.

3. Finance

33. One other issue to note is that there was a considerable amount of additional audit work required as a result of the draft Whole of Government Accounts (WGA) return being prepared incorrectly. We have discussed the issues with officers and a corrected draft return was submitted to the Scottish Government on 9 September 2010. This item is discussed further at paragraphs 71 to 74 below. A final return, which we must certify, is due for submission to the Scottish Government by the deadline of 30 September 2010.

Financial Position and Performance

34. The Board reported a deficit of £8.132 million in its Income and Expenditure Account for the year as the net operating expenditure of £37.843 million exceeded the income received from the constituent councils' contributions of £29.711 million.
35. This reported deficit is carried into the Statement of Movement on the General Fund Balance and is then adjusted by £7.524 million for items required by statute and non-statutory proper practices to be credited to the General Fund. The net effect of these adjustments is to decrease the balance on the General Fund Balance by £0.608 million to £1.245 million as at 31 March 2010.
36. Details of the adjustments made are reported in note 6.1 to the accounts on page 23 of the Audited Statement of Accounts. These adjustments are due to the Board being required to consider funding elements of expenditure on different accounting bases, including capital investment which is accounted for as it is financed rather than when fixed assets are consumed and retirement benefits that are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.
37. Financial performance can be measured against the revenue budget set by the Board in November 2008 for 2009/10, with minor revisions made in January 2009. Comparing the budgeted expenditure on Net Cost of Services of £26.546 million against the actual expenditure on Net Cost of Services of £27.607 million there was an overspend against budget for the financial year of £1.061 million. The increases in backdated pensions commutations included in the net cost of services variance were funded in full by a supplementary requisition from the constituent authorities of £0.644 million. For 2009/10 the Board has reported an actual deficit of £8.132 million against a budgeted deficit of £7.704 million, an overall variance against budget of £0.428 million. One of the main components of the variance was pension commutations of £0.464 million; the Board managed this variance through reserves in line with established practice and the Board's reserves strategy.

3. Finance

38. Significant factors contributing to the overall variance against budget are shown in Table 1.

Table 1 – Financial Performance against the 2009/10 budget

| | £m | £m |
|---|--------------|----------------|
| Staff costs | | |
| Backdated pension commutations (including HMRC payment) | 0.644 | |
| Legacy fire-fighters pension commutations | 0.464 | |
| Pension transfers | 0.482 | |
| Staff vacancies & slippage | (0.397) | |
| Ill health retirements | (0.372) | |
| Miscellaneous others | <u>0.263</u> | 1.084 |
| | | 0.124 |
| Running costs | | (0.147) |
| Income | | |
| | | |
| Net cost of services | | 1.061 |
| Other operating expenditure | | 0.011 |
| Constituent Authorities | | <u>(0.644)</u> |
| Deficit for year | | 0.428 |
| | | ===== |

39. A key risk for the Board in future years will be to manage within the budget available.
40. The Board's Statement of Accounts includes a commentary about the changing financial environment. This was also referred to in a report to the Board "Consideration for Future Budgets" on 1 February 2010. This report explained that due to uncertainty about the future level of savings a one year budget has been set for 2010/11. In setting this budget the Board took cognisance of challenges ahead and has set a budget £1 million less than the notional GAE assessment, whilst allowing for spend to save projects. In addition the Board recognised that greater savings will be required in the three years following the setting of the 2010/11 budget.
41. The Board report also noted that a high level analysis of Tayside Fire and Rescue's provisional 2010/11 revenue budget showed that a high proportion of costs can be allocated to expenditure on people; therefore potential savings of the levels forecast will leave Tayside Fire and Rescue facing a difficult future and significant challenges in providing the current level of service to all its communities.
42. At the 23 August 2010 meeting the Board obtained approval for a proposed Voluntary Early Retirement / Voluntary Redundancy Scheme for support staff aimed at facilitating rationalisation and restructuring of service delivery to achieve efficiencies and savings necessitated by budget reductions in future years. From attendance at the meeting it was also noted that negotiations are on-going at a national level for uniformed staff as currently only the support staff pension scheme allows consideration of these changes.
43. Approval was also obtained at the 23 August 2010 meeting for a revised redundancy policy and procedure aimed at establishing a clear policy understood by all parties. The report presented noted that the Board is recognising the need for change and that this may affect staffing requirements or workforce composition. The Chief Fire Officer drew attention to the fact that the revisions were in line with current legislation and best practice.

3. Finance

44. A presentation to the Board meeting of 23 August 2010 by the Scottish Government's Head of Strategy Unit, Scottish Resilience informed Board members of the scale of the challenge to be faced by the Board and other public sector bodies. This presentation indicated that efficiency savings alone may not bridge the gap between expenditure levels and amounts available to spend.

Efficient Government

45. All public sector bodies in Scotland are involved with the Scottish Government's Efficient Government initiative. The initiative is designed to achieve cash and time-releasing savings through elimination of waste, bureaucracy and duplication.
46. To assist with this the Chief Fire Officers Association (CFOA) has developed an efficiency template for use by all Fire and Rescue Authorities from 2008/09.
47. For 2008/09 to 2010/11, the emphasis has moved from non-cash to cash efficiency savings. A cash efficiency target of 2% cumulative per annum has been set for the public sector. While there is no specific target for Fire, there is an expectation that the service will deliver cash efficiencies of 2% cumulative per annum against a baseline of the GAE figures for 2007/08.
48. The Board considers savings within the budget setting processes. Cash savings and non-cash savings are identified once the Board is aware of their funding parameters.
49. We have been informed that Tayside Fire and Rescue has made annual cashable efficiency gains of 2.62%, without impacting on service delivery or performance. The planned use of combined aerial and rescue pumps (ARPs) which provide the capabilities currently provided by two types of fire engine are forecast to provide significant efficiency savings. We have been informed that the Board's first ARP became operational during 2009/10. In addition a second ARP was delivered in May 2010. This ARP is currently in the training and commissioning stage and it is proposed to be a resource allocation for Perth Fire station. The use of ARP's is related to the achievement of one of the Single Outcome Agreement's (SOA) and also the Board's Strategic Objectives. The savings for 2009/10, as detailed on the efficiency template used by all Fire and Rescue Authorities, are outlined in Table 2 below.

Table 2 – Efficiency Savings

| | Cash recurring £m | Cash non- recurring £m | Total £m |
|--|-----------------------------|-------------------------------------|-----------------|
| Workforce Planning | | | |
| Non / Delayed filling of staff vacancies | 0 | 0.305 | 0.305 |
| Asset Management | | | |
| Removal of foam salvage tender provision at Station 4 Arbroath | 0.171 | 0 | 0.171 |
| Introduction of Aerial Rescue Pump at Station 1 | 0.250 | 0 | 0.250 |
| Shared Services | | | |
| Reduction Insurance premiums negotiated by DCC | 0.040 | 0 | 0.040 |
| Total Savings | 0.461 | 0.305 | 0.766 |

3. Finance

Reserves and Balances

50. At 31 March 2010 the General Fund held by the Board totalled £1.245 million. The balance has decreased by £0.608 million in 2009/10 from £1.853 million to £1.245 million as a result of the overall adjusted deficit for the year. £0.319 million of the General Fund has been earmarked to pay pension commutations for legacy fire-fighters eligible to retire on or before 31 March 2010 who have continued in post, leaving an uncommitted balance of £0.926 million. As noted at paragraph 37 above pension commutations can have a significant impact on variances against budget. Further details are included in Note 6.2 on page 23 of the accounts and the Explanatory Foreword paragraph 2.5 on page 7.
51. The Board agreed an updated strategy for managing its reserves on 1 February 2010. Fire and Rescue Boards are permitted by statute to make a contribution to their reserves in-year of an amount not greater than 3% of the *“total authorities’ requisition received for that year”* and retain a maximum cumulative uncommitted balance within their General Fund of 5% of the total authorities’ requisitions received for that year. This excludes the amount earmarked in the General Fund against future pension commutations. The details for this are noted in the Treasurer’s Explanatory Foreword on page 10 of the accounts.
52. The uncommitted balance of £0.926 million on the General Fund as at 31 March 2010 represents 3.1% of the total requisitions received from the constituent authorities and is within the approved limits of 3% and 5% respectively.
53. We note that the reserves strategy reported to the Board on 1 February 2010 makes reference to Fire and Rescue Boards being permitted by statute to make a contribution to reserves in-year of an amount not greater than 3% of the *“budgeted net revenue expenditure for that year”* and, retain a maximum cumulative uncommitted balance within their General Reserve of 5% of the budgeted net revenue expenditure for that year. For 2009/10 the budgeted requisitions and the budgeted net expenditure were the same amount; however the wording in the Reserves strategy should agree with the wording in the accounts and statute.

R1: When the Board’s reserves strategy is next updated the Board should ensure that the contribution to reserves wording agrees with the wording being reported in the accounts and with statute.

Pensions

54. 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”*). Estimated pension liabilities at 31 March 2010 exceeded the Board’s share of assets in all schemes.
55. The Injury Benefits Scheme is a retirement benefit scheme available to all uniformed staff irrespective of pension scheme membership. Injury pensions are payable to personnel forced to retire due to injury incurred while undertaking occupational duties. The actuarial liability for injury benefits was previously included in the pension scheme liabilities.

FRS 17 Pension Costs

56. All costs associated with FRS 17 Pension Costs have been correctly accounted for and disclosed in the financial statements and associated notes.

3. Finance

Table 3 – Pension liabilities

| Estimated pension liabilities | 2009/10 | 2008/09 | Movement |
|--------------------------------------|----------------|----------------|---------------|
| Pension Scheme | £'000 | £'000 | £'000 |
| Local Government | 6.582 | 2.773 | 3.809 |
| Fire (the Old Scheme) | 213.008 | 144,360 | 68.648 |
| Fire (the New Scheme) | 3.307 | 1,158 | 2.149 |
| Injury Benefits Scheme | 2.007 | 1.631 | 0.376 |
| Pension liability at 31 March | 224.904 | 149.922 | 74.982 |
| | ===== | ===== | ===== |

57. The overall increase in the schemes' liabilities for the year to 31 March 2010 has arisen because the corporate bond rate of 1.6% used as the discount factor as at 31 March 2010 is significantly lower than that used at 31 March 2009 3.7%. This has contributed to a significant increase in the estimated current value of the pension liability.
58. The calculation of current service cost for pension benefits earned is based on the discount rate at the start of the year. Therefore current service costs in 2009/10 have not been affected by the change, at 31 March 2010, in the corporate bond rates used to estimate the current value of pension liabilities. The change in rate will however affect the reported current service costs of pensions in 2010/11 which are therefore likely to be higher than those reported for 2009/10.
59. The move from the retail to consumer price index as a basis for future public pension increases, is expected to result in reduced pension liabilities in future years. Note 6.21 on page 45 of the accounts estimates the reduction to be 6-8%.

Fire Injury Benefits

60. Statutory guidance Finance Circular 8/2010 Guidance on proper accounting practices – police and fire injury benefits sets out the police and fire injury benefits to be charged to the General Fund. This guidance notes that as the 2003 Regulations no longer apply to these costs, there is no statutory basis for them to be charged to the pension reserve instead of the General Fund.
61. We can confirm that the Board has complied with this guidance and made the necessary adjustments to their accounts, including the creation of an employee statutory adjustment account. This account neutralises the impact on the General Fund, instead of using the pension reserve. In addition the amount for injury benefits has been presented separately from the pension benefits in the Statement of Accounts.

Fire Pension Account

62. In October 2008 the Scottish Government (SG) and COSLA (Convention of Scottish Local Authorities) agreed to progress the centralising of funding arrangements for Police and Fire pensions. This decision was also supported by the Chief Fire Officers (Scotland) (CFO(S)). Changes are being phased in two stages. The first stage "Transition Arrangements" apply to 2009/10 only. We can confirm that the Board has complied with the transitional arrangements for 2009/10.
63. The second stage, a complete set of new arrangements, involving the introduction of pension accounts come into effect from 1 April 2010. These include:
- The current funding arrangements in respect of employers liabilities for pensions and commutation lump sums will cease
 - Pension funding flows will be separated from fire services income and expenditure and will be managed independently from the main revenue account
 - Pension accounts will be set up for each service and an agreed level of budget provision will be transferred at 1 April 2010 from the local government settlement

3. Finance

- Fire pension reserves to be transferred into these ring fenced pension accounts
 - “Pooling of risk” will be adopted, surpluses arising in the individual pension accounts at the end of the year will be transferred to the Scottish Government and deficits should they arise will be made good by the Scottish Government
 - Introduction of a fixed percentage employer’s contribution reflecting scheme costs and based on an agreed percentage of pensionable pay set as a result of regular actuarial valuation of the schemes
64. The 1 February 2010 Board report identifying the service’s revenue budget for 2010/11 reports that the adjustments required to reflect the above changes to the pension scheme have been made to the budget for 2010/11.
65. We will review the implementation of the complete set of new firefighter pension arrangements in 2010/11.

Pension Commutations

66. In the 2008/09 Statement of Accounts the Board disclosed a contingent liability for pension commutations and a contingent asset for the potential Government funding of £0.460 million. A report to the Board on 1 February 2010 advised that guidance was issued advising fire and rescue authorities that funding for firefighters who retired between 22 August 2006 and 30 September 2007 would be provided centrally by the Scottish Government and as such there is no impact on the revenue funding of the Board.
67. On 11 March 2008 the Employment Tribunal Hearing on Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) found that claimants were treated less favourably than their named comparators in respect of access to pension rights and payment for sickness absence. NJC Circular NJC/02/10 issued on 13 April 2010 stated that agreement had been reached with the Fire Brigade Union (FBU) “in principle” and that formal agreement would follow. The Board has included a provision of £0.190 million for the expected cost of the compensation package in the 2009/10 accounts.

International Financial Reporting Standards

68. International Financial Reporting Standards (IFRS)-based financial instrument standards were adopted in the 2007 SORP. The 2009 SORP adopted the IFRS based approach to accounting for PFI/PPP schemes from 2009/10. As Tayside Fire and Rescue Board has no PFI/PPP schemes there were no implications for the 2009/10 financial statements.
69. An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. The Code applies from 1 April 2010 and we recommend that the necessary arrangements are made to comply with the new requirements of the Code.
70. Authorities need to restate 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based balance sheet. Once this work has been completed, we will review the restatement work and report our findings. A preliminary review of the restated 1 April 2009 IFRS balance sheet has noted revisions to calculations are required in relation to the holiday pay accrual. We encourage early completion of the restatement.

R2: The Board should put in place the necessary arrangements to complete the 1 April 2009 restatement and comply with the IFRS-based Code of Practice on Local Authority Accounting, which replaces the SORP and applies from 1 April 2010.

3. Finance

Whole of Government Accounts (WGA)

71. The legislative authority for WGA is contained in the Government Resources and Accounts Act 2000, which sets out a formal designation process. The Commencement Order for the publication of the WGA has been laid before parliament and therefore 2009/10 is the first year that a full set of WGA accounts will be published. Although the Act is not applicable in Scotland, the Scottish Government has agreed to provide the Treasury with equivalent information.
72. The UK Government's aim in respect of WGA is to develop a fully audited set of accounts covering virtually all of the UK public sector. WGA treats Government as if it were a single consolidated entity by eliminating all significant transactions and amounts owed between public sector bodies and harmonising accounting policies. WGA is intended to present a true and fair view of Government activities.
73. The Board submitted their draft WGA return, based on the draft accounts, to the Scottish Government by the due date, 31 July 2010. The audit certification deadline for submission to the Scottish Government is 1 October 2010.
74. Our review of the draft return noted it was submitted with a number of unresolved issues concerning data integrity checks. The data integrity checks on the draft return have been resolved and the Finance Manager agreed with the Scottish Government that a revised draft submission could be submitted on 9 September 2010. The reason given for the resubmission by the Finance Manager to the Scottish Government was that the original return submitted was not an accurate representation of the unaudited accounts. Preparation of the WGA return is part of the year-end accounts process and should issues arise these require to be resolved prior to submission to the Scottish Government, thus ensuring the draft return is an accurate reflection of the accounts submitted for audit.

R3: The WGA return (draft and final) should be adequately reviewed prior to submission by the due dates to the Scottish Government to ensure all identified issues are satisfactorily resolved, and that the returns agree with the draft and final accounts.

Follow-up Audit Scotland Performance Audit Report 2006

75. In our 2008/09 Report to Members we reported that there was one outstanding action from the 2006 national review by Audit Scotland; 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.
76. An asset management strategy has been completed and was approved by the management team in March 2010. Details are included in section 8.
77. The strategy developed is due to be reviewed and updated by the Expenditure Planning and Monitoring Group on an annual basis and presented to Management Team for approval where necessary.
78. To support the effective management of the Board assets we note that a computerised asset management system, MAXIMO, is currently being implemented. The asset management strategy notes that this will assist in the costing, procurement, tracking, testing and maintenance of all of the Board's assets. Implementation is currently at an early stage, with live operation expected on a phased basis sometime within the financial year 2010/11.

3. Finance

Financial Control Evaluation

79. The financial control environment was considered prior to commencing our year-end audit to identify controls that can be relied upon for the production of figures for the financial statements. We are pleased to report that for the main financial systems the majority of the expected key controls are in place.
80. We have identified one issue relating to title deeds requiring action during the course of our FCE work for 2009/10 and this is detailed at Section 7. We have also followed up progress with recommendations from our 2008/09 Report to Members and from our 2008/09 Follow-up of the 2007/08 Review of Internal Controls and these are detailed at Sections 8 and 9 respectively.
81. Our review of 2008/09 Report to Members actions reports one action is complete; the development of an asset management strategy. One action has still to be completed; the Board's Scheme of Administration, Standing Orders and Financial Regulations have still to be formally fully updated for updates agreed by the Board and reported to committee.
82. Our review of 2008/09 Follow-up of the 2007/08 Review of Internal Control has assessed three actions as complete while three are assessed as on-going. Of the three actions assessed as on-going we would draw attention to the fact that improvements have been made, including further updating of the finance manual.
83. In our Annual Plan we reported that a number of financial systems and services are provided to the Board under Service Level Agreements with other Councils within Tayside. For 2009/10 there are current Service Level Agreements (SLAs) in place for the provision of internal audit services, payroll services, banking and treasury services and for insurance and risk management services. We have been informed that a new payroll SLA and a pensions SLA have been agreed with Dundee City.
84. The Board's internal audit arrangements are provided by the internal audit section of Perth & Kinross Council through a formal Service Level Agreement (SLA). The SLA for the provision of internal audit services covers the three year period 2007/08 to 2009/10. Going forward the Board needs to consider the provision of internal audit services for 2010/11 and beyond (see comments at paragraphs 97 to 104). There is a risk that the Board does not have in place "formal arrangements" for the provision of internal audit for 2010/11.

R4: The Board should formally consider appointment arrangements for the provision of internal audit services for 2010/11 and beyond.

4. Governance

General

85. The Board is responsible for a number of key aspects including budget setting, appointment of chief officers and scrutiny and challenge of Board's performance. Officers provide the Board with reports and statistical data to enable Members to make informed decisions and to raise challenges where appropriate.
86. The approach to Best Value audits of fire and rescue boards is currently under consideration with SFRAU. Indications are that a pilot audit will take place towards the end of 2010. Best Value audits include a review of the governance arrangements in place.

Board Membership, Meetings and Committees

87. The 18 Councillor Members of the Board are drawn from the three constituent Councils. In November 2009 there was a change in the Angus Councillors; Councillor West resigned and Councillor Valentine was appointed. There were no further changes to membership during 2009/10.
88. The Board met five times during 2009/10 considering and approving "**Towards a Safer Tayside**" consultations, action plan and public performance report, quarterly activity reports, budget setting, expenditure monitoring, reserves strategy, prudential indicators and on other matters of relevance to the role and work of the Board.
89. The Performance Monitoring Sub-Committee met three times during 2009/10. At these meetings members consider the outputs from both internal and external audit reviews and budget setting and monitoring information from management. Responsible officers and representatives from both external and internal audit attend the meetings to present the reports and answer questions.
90. Revenue and capital budgets and expenditure monitoring information are routinely presented to the Board and Performance Monitoring Sub-Committee. Other reports to the Board 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.
91. Attendance of officers is designed to generate discussion with members and to increase their involvement with the development of corporate governance, system and financial controls and other performance issues.
92. Further Service Support and Service Delivery fora were held during 2009/10 which involved Tayside Fire and Rescue officers engaging with the Board members regarding progress against the service plan and any issues of general interest. There were two papers tabled at the Joint Service Delivery and Service Support Fora meeting on 13 September 2010. These were a paper relating to the current financial operating framework which Tayside Fire and Rescue is working within, and, a report produced by the Scottish Fire Conveners Forum which recommended the adoption of a Scottish Fire and Rescue Services National Strategy. These papers were discussed in detail and an overarching strategy agreed by all Fora members.

Governance Framework

93. The Board's overall strategic document "**Towards a Safer Tayside**" sets out the Board's mission and the four aims of prevention, intervention, people and performance. The first two aims are the responsibility of Service Delivery and the second two are the responsibility of Service Support.

4. Governance

94. The Board's Scheme of Administration, Standing Orders and Financial Regulations have still to be formally fully updated for changes previously reported to the Board and agreed by committee. This recommendation is outstanding from our 2008/09 Report to Members. We have been informed that these documents have been partially updated and that the review is currently being completed after which time an updated version will be taken to the Board. Detail is included at section 8.
95. In June 2007 CIPFA, in association with SOLACE, published a revised framework - *Delivering Good Governance in Local Government*. This framework represents a change in the available good practice and recommended that the annual review of internal controls should be reported in an Annual Governance Statement (AGS). Although it was not required by legislation to conduct an annual review, authorities and boards were encouraged to do so voluntarily.
96. The Board originally considered producing an AGS for inclusion in the 2008/09 accounts and then deferred this to 2009/10. For 2009/10 the Board produced a Statement on the System of Internal Financial Control (SSIFC), in compliance with the 2009 SORP. We have been advised that an AGS is to be produced for 2010/11.

R5: The Board should consider producing an Annual Governance Statement for inclusion in the 2010/11 financial statements.

Internal Audit

97. Audit Scotland's Code directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. In accordance with ISA 610 – Considering the Work of Internal Audit, we have reviewed the framework for the provision of internal audit services. Our review included consideration of compliance with CIPFA's 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom.
98. We agreed that for 2009/10 our reliance on the work of internal audit would be limited and this was reported in our Annual Plan.
99. Our review to date notes that there has been considerable slippage with the internal audit plan and this has led to revised planned issue dates for the remaining projects still to be completed. At the time of our financial control fieldwork and fieldwork for our year-end audit one of the seven projects was complete, one project Financial Reserves was being considered for removal and five assignments have still to be completed. In addition one assignment, Assets & Inventories from 2008/09 has still to be completed. We have been informed by the Chief Internal Auditor that approval of the removal of the Financial Reserves project is to be sought at the next available opportunity as further consideration of the agreed 3 year plan has indicated completion of this project would be an inappropriate use of internal audit resources.
100. Internal audit's role is to "perform an independent assurance function within the Board" and "to provide an opinion on the effectiveness of the controls put in place by management in order to ensure that the Board achieves its objectives." Internal Audit is a key part of the process by which the Board manages the risks that threaten the achievement of its objectives. Should internal audit not fulfil their agreed audit plan their role is at risk and the Board will be operating without an effective independent assurance function.
101. As noted at paragraph 84, the Board's internal audit arrangements are provided by the internal audit section of Perth & Kinross Council through a formal Service Level Agreement (SLA). A SLA is in place covering the three-year period from 2007/08 to 2009/10. The SLA in place details the responsibilities of Perth & Kinross's internal audit section. These include:
- Production of a three year plan of audits to be undertaken to provide assurance on the systems of internal control within Tayside Fire & Rescue
 - Production of an annual plan of audits to be undertaken and liaise with the Board, the Treasurer and the Head of Corporate Services as to its contents

4. Governance

- Review existing and proposed financial and non-financial systems and controls, both manual and computerised in line with audit plans
- Testing transactions, visiting establishments in accordance with the annual plan and testing compliance with standing orders, financial regulations and other specific guidance or instructions
- Production of written reports to support all audit work undertaken for presentation to Tayside Fire & Rescue's Performance Monitoring Sub-Committee
- Provide an annual statement of assurance on the adequacy or otherwise of the system of internal control in place within Tayside Fire and Rescue

102. In 2009/10 the Board was paid in full for Internal Audit services, although to date only one assignment has been formally reported in June 2010 from an agreed plan of seven assignments. The original reporting dates were March 2010 and May 2010. Internal audit is not fulfilling all the responsibilities outlined in the agreed SLA as detailed above.

103. A report to the Performance Monitoring Sub-Committee on 28 June 2010 noted that the high level of absence had impacted on the Service's ability to complete the plan on time. It was reported that assignments would be progressed within the period to September 2010, with one project scheduled to be reported in June, one in August and the remaining four in September. To date no further projects have been reported, indicating further slippage with assignments.

104. The Chief Internal Auditor did not produce an annual statement of assurance as required by the SLA to feed into the Statement of Internal Financial Control before the draft accounts were submitted to the Controller of Audit. The Chief Internal Auditor has informed us that the SSFIC opinion in the accounts was based on a review of policies and procedures and work completed during 2009/10, of which only one non financial assignment has been formally reported.

R6: Review of internal audit assignments should ensure that there are adequate resources in place to complete the remainder of the plan, thus ensuring the Board is operating with an effective independent assurance function and that services agreed in the SLA are delivered.

R7: The Chief Internal Auditor should produce an annual statement of assurance as required by the SLA to feed into the Statement of Internal Financial Control / Annual Governance Statement.

Fraud and Irregularity

105. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

106. At a corporate level, the Board has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, an anti-fraud and corruption strategy, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.

107. We are notified of all frauds over £5,000 and submit reports on these to Audit Scotland. No frauds were notified during 2009/10.

4. Governance

National Fraud Initiative

108. During 2009/10 we continued to monitor the Board's participation in the National Fraud Initiative (NFI) 2008/09. 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, including occupational pension fraud and payroll fraud.
109. All of the data matches uploaded to the NFI secure website in February 2009 have been investigated and the outcomes recorded on the NFI web application. No fraud or error was identified.
110. In February 2010 we submitted an NFI return for the Board to Audit Scotland, which summarised the progress made by the Board in relation to the NFI 2008/09 exercise and assessed whether the approach adopted was in line with the NFI handbook for Scotland issued in June 2008. Our return confirmed that there were no issues arising from our review of the Board in relation to the NFI 2008/09 exercise and concluded that overall the Board's arrangements for NFI were adequate.
111. The information on the return was used by Audit Scotland to inform the national report for the Auditor General and the Accounts Commission on the National Fraud Initiative in Scotland 2008/09 which was published in May 2010.
112. The Board is required to make adequate arrangements for the upload in October 2010 of the specified data for the 2010/11 NFI exercise. We have obtained assurances from the Board's nominated NFI contact that arrangements are in place to provide the necessary data in line with the guidance issued by Audit Scotland. We will continue to monitor the steps taken by the Board as the 2010/11 NFI exercise develops.

Treasury Management

113. The Local Government Investments (Scotland) Regulations 2010 were approved by the Scottish Parliament on 10 March 2010 and came into force on 1 April 2010. The Regulations permit local authorities and boards to make investments subject to them obtaining the consent of Scottish Ministers. Finance Circular 5/2010, issued by the Scottish Government on 1 April 2010, provides the general consent of Scottish Ministers and sets out the requirements attached to the consent.
114. The consent requires authorities and Boards to invest in a way that minimises the risk to the capital sum and optimises the return on the investment consistent with those risks.
115. Authorities are required to prepare an Annual Investment Strategy (the Strategy) before the start of the financial year and an Annual Investment Report (the Report) within six months of the financial year end. The consent specifies minimum requirements for these two documents. There should also be a mid-year review.
116. Under the Local Government (Scotland) Act 1973, an authority is permitted to delegate functions to committees, with the exception of setting the council tax and borrowing money. The Investment Regulations extend these exemptions to include the approval of the Strategy and Report.
117. In the event that an authority makes an investment which is not listed as a permitted investment in their annual Investment Strategy, that investment will not be made in accordance with the Consent and as such will be *ultra vires*.
118. The Board has yet to produce an Investment Strategy for 2010/11. The Board currently has an SLA with Perth & Kinross Council for Treasury Management and only invests with Perth and Kinross Council.



4. Governance

119. Scottish Ministers recommend that the Strategy and Report are also considered by the appropriate committee / scrutiny body.

R8: An Annual Investment Strategy should be prepared and approved by the Board. Processes should then be put in place for the preparation of an Annual Investment Report and a mid-year review and for appropriate scrutiny of these by the Board.

5. Performance

Arrangements for Performance Management

120. In accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers the Board must:
- publish the information specified in the schedule to the Direction for all those activities which are carried out by the body
 - ensure that publication facilitates the making of comparisons where appropriate and possible with performance in 2008/09
121. The SPIs for audit year 2009/10 are covered by the 2008 Direction, which represents a significant shift in approach, in recognition of the changing environment in which local authorities are operating. This includes the development of SOAs, increased self-evaluation and an agenda to reduce the overall volume of scrutiny.
122. The 2008 Direction is given by the Accounts Commission for Scotland (“the Commission”) under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies (including Tayside Fire and Rescue Board) to publish such information relating to their activities in any financial year or other specified period as will, in the Commission’s opinion:
- “facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –*
- i. the standards of performance achieved by different relevant bodies in that financial year or other period; and*
 - ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods”.*
123. The 2008 Direction requires each Fire Board to produce a range of information against three specified indicators covering fire casualties, accidental dwellings and sickness absence. In addition the 2008 Direction introduced a new duty for Fire and Rescue Services to report a range of information on its performance, sufficient to demonstrate that it is securing Best Value in relation to community fire safety, intervention in response to emergency incidents, staff and equalities & diversity.
124. As set out under Section 99(d) of the Local Government (Scotland) Act 1973 (as inserted by Section 3(2) of the Local Government Act 1992) our duty as auditors of the Board is to be satisfied that the Board *“has made adequate arrangements for collecting and recording information, and for publishing it, as are required for the performance of their duties.”*
125. From discussion with management, review of systems and procedures in place and reports produced, we have concluded that there are adequate arrangements in place to meet the requirements set out in the 2008 Direction. The following paragraphs summarise the basis of arriving at this conclusion.
126. In line with the guidance issued to auditors by Audit Scotland we reviewed the arrangements in place within the Board for documenting, collating and checking SPI data. Discussions with the Station Manager confirmed that arrangements are in place for the collation and checking of the majority of the data required for the prescribed SPIs. Arrangements are also in place, albeit less formal than those for the prescribed SPIs, to collate and check the performance information included in quarterly activity reporting and published in the annual performance report **“Towards a Safer Tayside 2009-10”**.

5. Performance

127. The arrangements for formally documenting procedures for each SPI and for checking data provided by other sources could be improved, as highlighted by an error identified in the figure provided for the SPI on 'Rider shifts lost due to sickness and light duties per fire officer' included on the draft pro-forma submitted for audit consideration.
128. The figure provided by Human Resources staff for 'Rider shifts lost due to sickness absence and light duties' had not been calculated in line with the SPI guidance and had not been subject to independent internal checking. However, following audit review the correct figure was inserted into the final pro-forma submitted to Audit Scotland, following discussion between the Station Manager and Human Resources.

R9: The internal procedures for documenting, collating and checking source data, for both the prescribed and non-prescribed SPIs set out in the 2008 Direction, should be reviewed and updated to formalise existing arrangements and to provide additional assurances on the accuracy of reported SPI information.

129. The range of information included in the annual performance report covers all four of the non-prescribed SPI headings set out under SPI3 in the 2008 Direction. We identified minor errors in the 2009/10 figures reported for Sickness Absence 'Rider shifts lost due to sickness absence', 'Rider shifts lost due to light duties' and 'Absence for all other staff directly employed' in the annual performance report for 2009/10. Correction of these figures before 30 September will enable the Board to comply with the requirement to report sufficient performance information to meet the requirements of the 2008 Direction.

R10: The figures for 'Rider shifts lost due to sickness absence', 'Rider shifts lost due to light duties' and 'Absence for all other staff directly employed' should be amended, to comply with SPI guidance, in the version of the annual performance report 2009/10 available online.

130. On-going performance management is undertaken in a framework that involves the senior management team and members. The Performance Monitoring Sub-Committee acts as the audit committee and scrutinises financial and audit performance, as does the full Board.
131. The annual public performance report "*Towards a Safer Tayside 2009-10*" was submitted to the Board meeting on 10 May 2010 and has been distributed to the public. It is also available on the Board's website www.taysidefire.gov.uk.
132. The Board introduced a quarterly activity reporting during 2008/09 and quarterly reports have been provided to the Board from the quarter to June 2009.

Arrangements for Achieving Continuous Improvement

133. At the Board meeting on 23 August 2010 it was noted that Tayside Fire and Rescue are committed to implementing the Public Service Improvement Framework (PSIF). PSIF is noted to be a self-assessment framework which encourages organisations to conduct a comprehensive review of their own activities and results.
134. Through a programme of training, awareness raising and support from the PSIF Implementation Team, the Board aims to systematically roll-out a programme of self-assessments across the organisation. This will commence with the training of six members of staff to become qualified assessors. We note that it is the Board's intention that the PSIF will include Board members within the self-assessment framework.

5. Performance

Risk Management

135. Development of an overall Risk Management Strategy was identified as an improvement area by Audit Scotland in their study in 2006. The Board has now developed an overall risk management strategy and this strategy forms part of the Corporate Governance arrangements for the service.
136. Although the Board has developed an overall risk management strategy, setting out the approach to the identification and management of risk, this strategy has still to be fully implemented. The risk management strategy requires the Board to develop and implement robust systems and processes and these include:
- Risk identification - identification of significant risks that could have a significant impact on achievement of four corporate aims
 - Risk analysis - preparation of a detailed risk analysis, considering the likelihood and impact of risks
 - Risk control - decisions as to how to control the risks identified and analysed
 - Risk reporting – development of a process to communicate risks continually across the governance structure
 - Risk review – review of corporate and departmental risk registers to ensure they remain valid, up-to-date
137. For risk management to work effectively it should be embedded within the organisation complementing the service planning process.
- R11: The Board requires to embed risk management into the organisation by developing and implementing robust systems and processes as outlined in the risk management strategy.**
138. In August 2009 members were advised of the Scottish Government's National Resilience Strategy "**Scotland Resilience: The Contribution of the Fire and Rescue Service**". This strategy is informed by the UK National Risk Assessment and specifies a need for a collective response to three national risks and seeks a single Scotland wide Delivery Plan from all eight fire and rescue authorities. We note that it is Tayside Fire and Rescue's intention to fulfil their responsibilities in relation to the Delivery Plan.

Strategic Planning

139. The Board's overall strategic document "**Towards a Safer Tayside**" includes the stated mission and aims covering the four areas of prevention, intervention, people and performance. Strategies for each of the four areas are currently monitored through the Service Delivery and Service Support internal Fire and Rescue meetings on a quarterly basis. Annual plans are developed based on the Board's overall strategies. These are subject to wide consultation. The Action Plan 2010-11 is on the Board's website.
140. Bi-annual service planning workshops lead to strategic objectives for the service, which are then followed by operational plans. Individual managers / departments submit reports on progress against the service plan objectives and agreed performance information to Service Delivery and Service Support internal Fire and Rescue meetings. They also assist with the compiling of revenue and capital budgets and provide submissions to assist with monitoring performance, all of which is reported to Committee.
141. Budget Holders prepare annual Business Plans for their areas which include the budget requirements in line with the work priorities and objectives. Each area will consider how to gain Best Value from the Board's activities and submit requirements for increases / reductions in budgets. With tight funding constraints budget holders will require to use their knowledge to decide which projects should be progressed.

5. Performance

Procurement

142. A Procurement Strategy 2009/12 was developed to provide a framework for the full range of procurement activities carried out by Tayside Fire and Rescue and to ensure that procurement contributes towards achieving corporate aims and objectives; Prevention, Intervention, People and Performance which includes delivery of Best Value.
143. This strategy includes a Procurement Action Plan, which it is proposed will be reviewed on a quarterly basis.

Audit Scotland National Studies

Improving Public Sector Purchasing

144. The national report Improving Public Sector Purchasing was published in July 2009. The report found that the public sector in Scotland is improving its purchasing and has estimated it has saved a total of £327 million in the first two years of the Programme, which has cost £61 million so far to implement.
145. The current economic climate means that more than ever, the public sector needs to find cash savings without cutting services or quality. With the public sector's size and combined purchasing power, there is still potential for it to buy goods and services more efficiently and deliver more significant savings through increased collaboration and better management. There has been progress in recent years but it has varied across the country and been slower than planned.
146. The report recommends that the public sector should increase the use of collaborative contracts. These are a key feature of the Programme, but are being developed more slowly than expected. Other high level recommendations were made which highlight the good purchasing practice that public bodies should adopt to demonstrate Best Value.
147. The Board currently works collaboratively on a number of different fronts as follows:
- Contracts such as the user agreement with Tayside Police in relation to shared use of facilities at Kinloch Rannoch Fire Station and a user agreement with the Scottish Ambulance Service for shared use of Montrose Fire Station
 - Collaborative procurement for fire specific commodities.
 - Establish a Centre of Expertise for Fire Specific Procurement. Tayside Fire and Rescue have representatives on that group. The Centres of Expertise are responsible for representing sector specific interests in the development of national policy and for the development and dissemination of policy and guidance on issues unique to the sector
 - Initiative between Tayside, Central Scotland and Fife Fire and Rescue Services about the sharing of equipment, specialist staff and training. This is anticipated to gather momentum during 2010/11. The Board has allowed for £0.150 million in their 2010/11 budget, as initial costs are noted to be required before savings can be realised.

Improving Civil Contingencies Planning

148. The national report was issued in August 2009. The study looked at the progress made since the Civil Contingencies Act 2004 was passed, assessing the pace of change and identifying ways in which improvements can be made. The report made 16 detailed recommendations where further improvements can be made.

5. Performance

149. As part of our 2009/10 we have reviewed the Board's progress in addressing the issues raised in this report. We note the following:
- a copy of the report has still to be issued to Board members. We have been informed that a copy of the report will be presented to the Board advising them of their responsibilities and a date for training which is being developed for officers and elected members in collaboration with the Strategic Coordinating Group (SCG)
 - the report has been discussed at meetings of the Tayside SCG, routinely chaired by the Chief Constable and on 22 September 2009 strategic leads considered the report
 - Responsibility for the Civil Contingency business within Tayside Fire and Rescue sits with the Chief Fire Officer and where appropriate is delegated to the Deputy Chief Fire Officer
 - The Deputy Chief Fire Officer has carried out a self-assessment in respect of recommendations
 - Tayside SCG, of which Tayside Fire and Rescue is a "category 1" member has carried out a self assessment
 - Tayside SCG Strategic Plan 2010/12 includes a Work Programme which outlines a requirement to "provide elected members with information about their role in an emergency and promote developments in civil contingency planning"
 - Training and publicity material is due to be considered by Tayside SCG
 - SCG members have agreed that a copy of the Strategic Plan 2010 will go to respective Councils / Boards
 - Related publicity material is being produced for internal consumption.

Scottish Community Fire Safety Study

150. "Scotland Together: A Study examining fire deaths and injuries in Scotland" was issued in September 2009. Members were informed of this study at a Board meeting in February 2010. The study contained 37 recommendations and we note that Tayside Fire and Rescue have reported that they have thoroughly considered the contents and are working with the other seven Scottish fire and rescue services to consider the 37 recommendations from a Scotland-wide perspective.



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | |
|--------------|---|--|--|--------------|----------|
| 53 | Statute allows Boards to make contributions to their reserves in-year of amounts not greater than percentages of the <i>“total authorities’ requisitions received for that year”</i> . The Board’s reserves strategy refers to contributions to reserves in-year of an amount not greater than percentages of the <i>“budgeted net revenue expenditure”</i> . | R1 When the Board’s reserves strategy is next updated the Board should ensure that the contribution to reserves wording is in line with the wording being reported in the accounts and statute. | <p>The italicised text refers to the same monetary value, i.e. the requisitions equate to the net revenue budget. Notwithstanding this fact, the wording used in the next Reserves Strategy will be amended.</p> <p>To be actioned by: Head of Corporate Services</p> <p>No later than: January 2011</p> <table border="1"> <tr> <td>Grade</td> <td>C</td> </tr> </table> | Grade | C |
| Grade | C | | | | |
| 70 | An IFRS-based Code of Practice on Local Authority Accounting has been prepared which replaces the SORP from 2010/11, when local authorities and joint boards are required to fully adopt IFRS. | R2 The Board should put in place the necessary arrangements to complete the 1 April 2009 restatement and comply with the IFRS-based Code of Practice on Local Authority Accounting which replaces the SORP and applies from 1 April 2010. | <p>The overall implementation of the IFRS based Code of Practice is being actioned as part of a project undertaken by PwC. As part of this project a process will be put in place to complete the 1 April 2009 restatement.</p> <p>To be actioned by: Finance Manager</p> <p>No later than: December 2010</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B |
| Grade | B | | | | |



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | | |
|----------|---|--|---|--|-------|---|
| 74 | <p>Our review of the draft WGA return noted it was submitted with a number of unresolved issues concerning data integrity checks. The data integrity checks on the draft return have been resolved and the Finance Manager agreed with the Scottish Government that a revised draft submission could be submitted on 9 September 2010. The reason given for the resubmission by the Finance Manager to the Scottish Government was that the original return was not an accurate representation of the unaudited accounts. Preparation of the WGA is an integral part of the year-end accounts process and should issues arise these require to be resolved prior to submission to the Scottish Government thus ensuring the return is an accurate reflection of the accounts submitted for audit.</p> | <p>R3 The WGA return (draft and final) should be adequately reviewed prior to submission by the due dates to the Scottish Government to ensure all identified issues are satisfactorily resolved, and that the returns agree with the draft and final accounts.</p> | <p>In future the draft WGA submission will be reviewed to ensure that all issues are resolved prior to submission to the Scottish Government. It should be noted that the issue that was at fault with the 2009/10 draft submission was minor and had no real bearing on the overall financial position, other than to create one error message within the data integrity checks. All subsequent problems that arose were as a result of the Finance Manager trying to correct the issue to the auditor's satisfaction.</p> <p>Auditor's comment We are required to certify the WGA return and if it does not agree with the accounts, or contains error messages our certification would require to be qualified.</p> <p>To be actioned by: Finance Manager</p> <p>No later than: 31 July 2011</p> <table border="1" data-bbox="1563 1082 2049 1126"> <tr> <td data-bbox="1563 1082 1809 1126">Grade</td> <td data-bbox="1809 1082 2049 1126">B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | | |
|--------------|---|---|---|--|--------------|----------|
| 84 | The Board's internal audit arrangements are provided by the internal audit section of Perth & Kinross Council through a formal Service Level Agreement (SLA). The SLA for the provision of internal audit services covers the three year period 2007/08 to 2009/10. | R4 The Board should formally consider appointment arrangements for the provision of internal audit services for 2010/11 and beyond | <p>The proposed Internal Audit Plan and Service Level Agreement will be submitted to the Performance Monitoring Sub-Committee in November 2010.</p> <p>To be actioned by: Chief Internal Auditor</p> <p>No later than: November 2010</p> <table border="1"> <tr> <td>Grade</td> <td>A</td> </tr> </table> | | Grade | A |
| Grade | A | | | | | |
| 96 | In 2009/10 the Board has continued to publish a Statement on the Systems of Internal Financial Control. | R5 The Board should consider producing an Annual Governance Statement for inclusion within the 2010/11 financial statements. | <p>This will be considered at time of preparation of the 2010/11 Financial Statements.</p> <p>To be actioned by: Head of Corporate Services</p> <p>No later than: May 2011</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |
| 104 | Significant slippage with internal audit work, with only one assignment from an original plan of seven assignments reported in 2009/10. Continuing slippage since date of last report to the Performance Monitoring Sub-Committee. | R6 Review of internal audit assignments should ensure that there adequate resources in place to complete the remainder of the plan, thus ensuring the Board is operating with an effective independent assurance function and that services agreed in the SLA are delivered. | <p>Work on the planned audits is underway in order to ensure that the SLA is delivered for 2009/10.</p> <p>To be actioned by: Chief Internal Auditor</p> <p>No later than: November 2010</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | | |
|--------------|--|--|--|--|--------------|----------|
| 104 | The Chief Internal Auditor did not produce an annual statement of assurance as required by the SLA to feed into the Statement of Internal Financial Control (SSIFC) before the draft accounts were submitted to the Controller of Audit. | R7 The Chief Internal Auditor should produce an annual statement of assurance as required by the SLA to feed into the SSIFC /Annual Governance Statement. | <p>This will be provided to the next Performance & Monitoring Sub-Committee. For future years there will be an annual statement of assurance provided in time to feed into the SSIFC / Annual Governance Statement.</p> <p>To be actioned by: Chief Internal Auditor</p> <p>No later than: November 2010 and May 2011</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |
| 119 | The Board has yet to produce an Investment Strategy for 2010/11 | R8 An Annual Investment Strategy should be prepared and approved by the Board. Processes should then be put in place for the preparation of an Annual Investment Report and a mid-year review and for appropriate scrutiny of these by the Board. | <p>The Board only deposits surplus funds with Perth & Kinross Council in accordance with the terms of the Service Level Agreement. Perth & Kinross Council has fully complied with the Regulations. The requirements of the Regulations will be fully met by the inclusion of appropriate recommendations in the next financial monitoring report to the Board in November.</p> <p>To be actioned by: Treasurer</p> <p>No later than: November 2010</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | | |
|--------------|--|---|--|--|--------------|----------|
| 128 | The figure provided by Human Resources staff for 'Rider shifts lost due to sickness absence and light duties' had not been calculated in line with the SPI guidance and had not been subject to independent internal checking. | R9 The internal procedures for documenting, collating and checking source data, for both the prescribed and non-prescribed SPIs set out in the 2008 Direction, should be reviewed and updated to formalise existing arrangements and to provide additional assurances on the accuracy of reported SPI information. | <p>A process has now be put in place whereby the figures are checked by another source other than the author to ensure accuracy. This will provide additional assurances on the accuracy of reported SPI information.</p> <p>To be actioned by: Watch Manager Personnel</p> <p>No later than: Completed</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |
| 129 | The range of information included in the annual performance report covers all four of the non-prescribed SPI headings set out under SPI3 in the 2008 Direction. We identified minor errors in the 2009/10 figures reported for Sickness Absence 'Rider shifts lost due to sickness absence', 'Rider shifts lost due to light duties' and 'Absence for all other staff directly employed' in the annual performance report for 2009/10. Correction of these figures before 30 September will enable the Board to comply with the requirement to report sufficient performance information to meet the requirements of the 2008 Direction. | R10 The figures for 'Rider shifts lost due to sickness absence', 'Rider shifts lost due to light duties' and 'Absence for all other staff directly employed' should be amended, to comply with SPI guidance, in the version of the annual performance report 2009/10 available online. | <p>The figures will be amended, to comply with SPI guidance. The online document cannot be changed due to the file format. An amended table with the revised figures will be appended next to document.</p> <p>To be actioned by: Group Manager Risk Management</p> <p>No later than: October 2010</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | | Grade | B |
| Grade | B | | | | | |



6. 2009/10 Action Plan

| Para Ref | Observation and Risk | Recommendation | Management Response | | |
|--------------|--|---|---|--------------|----------|
| 137 | Although the Board has developed an overall risk management strategy setting out the approach to the identification and management of risk, this strategy has still to be fully implemented. | R11 The Board requires to embed risk management into the organisation by developing and implementing robust systems and processes as outlined in the risk management strategy. | <p>A risk management process will be developed and implemented to identify and manage risk in conjunction with the service planning process.</p> <p>To be actioned by: Head of Risk Management</p> <p>No later than: 31 March 2011</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B |
| Grade | B | | | | |

The priority ranking helps management assess the significance of the issues raised and prioritise the action required to address them. The ranking structure is summarised as follows:

| Ranking | Definition |
|----------------|---|
| A | Fundamental issues which require the urgent consideration of senior management |
| B | Significant matters which require the attention of line management |
| C | Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale |



7. Action Plan 2009/10 Review of Internal Controls

| 1. Fixed Assets | | | | |
|--|--|---|--------------|----------|
| Control Objectives: To ensure that the Board is able to demonstrate good title to all land and building assets on the fixed asset register. | | | | |
| Key Control: An up to date list of all titles for land and buildings is maintained. | | | | |
| Observation and Risk | Recommendation | Management Response | | |
| <p>Our review of the Board's Title deed information has noted that Perth & Kinross Council carry out legal services for the Board under a SLA.</p> <p>(i) A copy of an up to date list of titles held by the Board was obtained from Perth & Kinross Council and it was noted that this list had references to title deeds "not in packet".</p> <p>(ii) From a sample of 22 assets from the Board's fixed asset register 14 title deeds fell into this category. We have been informed that the slip detailing who removed the title deed has not always been completed.</p> <p>(iii) A sample of assets were matched from the title deed list to the Board's Fixed Asset Register. For six areas of land we were unable to match the asset to the title deed. As these titles were also noted as "not in packet" we have been unable to confirm that the titles for the relevant stations also include title to the land.</p> <p>There is a risk that the Board is not easily able to establish good title to all their assets.</p> | <p>i) Title deeds noted as "not in packet" should be located and references updated as to who took title and where it can be located.</p> <p>(ii) Procedure for handling title deeds should be formalised and followed by all persons accessing title deeds. The SLA between the Board and Perth & Kinross Council should fully reflect all the legal services provided under the SLA.</p> <p>(iii) Title deed list should be updated to identify the title deeds that cover land, thus ensuring all land can be matched to relevant title deed.</p> | <p>A search will be carried out by Perth & Kinross legal staff in order to relocate the missing files. If this search is unsuccessful it will then be necessary to obtain extracts from the Register of Saisines or to instruct title searches and then to obtain copies of the registered deeds.</p> <p>This is simply a process to be gone through. While it is regrettable, it does not constitute a risk to the sites within the possession of Tayside Fire and Rescue.</p> <p>To be actioned by: Legal Services, Perth & Kinross Council</p> <p>No later than: 31 December 2010</p> <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B |
| Grade | B | | | |

**8. 2008/09 Action Plan Updated**

| | Recommendation | Board Comments | Agreed | Responsible Officer | Progress to date |
|---|---|---|---------------|---|---|
| 1 | <p>Finance</p> <p>The Board should progress an asset management strategy and ensure relevant plans are put in place to deliver this in 2009/10.</p> <p>(Para 3.12 2008/09 Report to Members)</p> | <p>A draft asset management strategy is currently being considered for presentation to Tayside Fire and Rescue Management Team prior to the year end.</p> | Yes | <p>Head of Corporate Services</p> <p>Agreed Completion Date: March 2010</p> | <p>The Asset Management Strategy was approved at the Management Team of March 2010.</p> <p>Auditor Assessment of Progress:-</p> <p>Complete</p> |
| 2 | <p>Governance</p> <p>The Board should review and update the Standing Orders, Scheme of Administration and Financial Regulations before the end of the 2009/10 financial year, and thereafter update regularly to ensure they remain fit for purpose.</p> <p>(Para 4.1 2008/09 Report to Members)</p> | <p>This work is currently ongoing however the proposed updates should be completed prior to the year end.</p> | Yes | <p>Clerk to the Board/Head of Corporate services</p> <p>Agreed Completion Date: March 2010</p> | <p>These documents have been partially updated and the review is currently being completed after which time an updated version will be tabled at Board level.</p> <p>Auditor Assessment of Progress:-</p> <p>On-going – a revised completion date of November 2010 has been agreed.</p> |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 1. All Systems | | | | |
|--|---|---|---------------------|---|
| Control Objective: To ensure that a Finance Manual is in place, reflecting current guidance and best practice. | | | | |
| Key Control: A Finance Manual which integrates all accounting procedures into one document is complete and made available for staff to follow. | | | | |
| Observation and Risk | Recommendation | Management Response | | Position at May 2010 |
| <p>The Finance Manual has still to be completed and a target of December 2008 was set for this. This issue was previously reported in our 2006/07 Financial Statements Audit Plan (report number 2007/02).</p> <p>There is a risk that without documented detailed procedures in one complete manual, best practice may not be followed by staff at all times.</p> | <p>We recommend that updating of the Finance Manual is completed within a reasonable timescale and issued to all finance staff.</p> | <p>Following the implementation of a new payroll system during March 2008 work has been done to progress the new payroll procedures this year. It is estimated, in line with a recent internal audit recommendation that a new Finance Manual will be in place by September 2009.</p> | | <p>Following the implementation of Resourcelink the critical areas of change have been updated in the Finance Manual. Work continues to be on-going within the Finance Manual with newly introduced procedures being added as soon as practicable when changes occur.</p> <p>Auditor Assessment of Progress:-</p> <p>On-going – sections of the finance manual have still to be completed and / or updated.</p> |
| | | <p>To be actioned by: Finance Co-ordinator</p> <p>No later than: 30/09/09</p> | <p>Grade</p> | |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 2. Treasury | | | | | |
|--|---|---|--|---|--|
| Control Objective: To ensure that all key control reconciliations carried out are adequately performed. | | | | | |
| Key Control: All control reconciliations are regularly performed and these are signed and dated by the preparer and reviewer of the work carried out. | | | | | |
| Observation and Risk | Recommendation | Management Response | Position at May 2010 | | |
| <p>We noted that although expected key controls are in place, they were, in some cases such as the reconciliation of loans fund statements from Perth & Kinross Council to the Board's general ledger performed regularly rather than monthly. Material loan movements totalling £2.859 million occurred during a period where no reconciliation was performed. Best practice would dictate that these controls are performed at least monthly. We note that to date there have been no reports of material or significant issues from this.</p> <p>The risk is that without monthly reconciliations material or significant issues arise and any resulting differences that occur are not investigated timeously.</p> | <p>We recommend that the reconciliation of loans fund statements from Perth & Kinross Council to the Board's general ledger are performed on a regular monthly basis and evidenced as such.</p> | <p>Monthly evidenced reconciliations of the loans fund statements from Perth & Kinross Council to the Board's general ledger will commence in 2009/10.</p> <p>To be actioned by: Finance Manager</p> <p>No later than: 31/07/09</p> | <p>Loans Funds statements are now reconciled on a monthly basis.</p> <p>Auditor assessment of progress: -</p> <p>Complete – although no reconciliations were performed in April and May 2009, reconciliations were performed regularly each month by the finance manager from June 2009. It is important that regular reconciliations are performed: best practice being that these are performed every month.</p> | | |
| | | <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B | |
| Grade | B | | | | |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 3. Payroll | | | | | |
|---|---|---|--|---|--|
| Control Objectives: To ensure that the Board's payroll procedures are up to date, reflecting current guidance and best practice. | | | | | |
| Key Control: Payroll procedures are regularly reviewed and updated for changes to the Payroll system. The Finance Manual is updated for this review. | | | | | |
| Observation and Risk | Recommendation | Management Response | Position at May 2010 | | |
| <p>Dundee City Council provides a payroll bureau service to the Board. During the last weeks of the year to 31 March 2008 a new payroll system Resourcelink was introduced. This system has payroll and personnel capabilities, with use currently being made of the payroll capabilities. Introducing a new system will require updating of the Board's payroll procedures.</p> <p>There is a risk that the Board's payroll procedures are not up to date and reflect changes introduced by the new payroll system. This could lead to gaps in the operation of key payroll controls and related consequences.</p> | <p>We recommend that a timetable is set out for a review and update of the Boards payroll procedures. The updated payroll procedures should be included in the updated Finance Manual referred to at 2.</p> | <p>The payroll procedures, once complete, will be reviewed on an annual basis for currency.</p> <p>To be actioned by: Finance Co-ordinator</p> <p>No later than: 30/09/09</p> | <p>Following the implementation of Resourcelink the critical areas of change have been updated in the Finance Manual. Work continues to be on-going within the Finance Manual with newly introduced procedures being added as soon as practicable when changes occur.</p> <p>Auditor assessment of progress:-</p> <p>Ongoing – payroll sections of the finance manual have been updated. However a small amount of work has still to be completed covering monthly processing, input and controls.</p> | | |
| | | <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B | |
| Grade | B | | | | |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 4. General Ledger | | | | | |
|--|---|--|---|----------|--|
| Control Objectives: To ensure that transactions are properly authorised. | | | | | |
| Key Control: All journal vouchers should be signed by both the preparer and the authoriser, with appropriate back-up documentation retained. | | | | | |
| Observation and Risk | Recommendation | Management Response | Position at May 2010 | | |
| <p>Our review noted that from a sample of twelve journal vouchers not all journal vouchers were signed by both the preparer and the authoriser. Two of the journal vouchers were missing authorisation detail of "input by" and "checked by" and one of the journal vouchers was missing the "checked by" detail.</p> <p>There is a risk that without completing all of the appropriate journal voucher details, non bona fide transactions are processed.</p> | <p>We recommend that all journal vouchers are signed by both the preparer and the authoriser, thus ensuring that only bona fide transactions are processed.</p> | <p>Staff performing journal adjustments should be aware that two signatures are required and in the majority of cases two signatures are obtained. Staff will be reminded to ensure that all journals are evidenced as checked by someone else.</p> <p>To be actioned by: Finance Manager</p> <p>No later than: ASAP</p> | <p>Journals are signed as "Input By" and "Checked By" as a matter of procedure, with one exception. Routine data transfers between modules of the financial system are automatically given journal numbers by the system. Because there is no manual process involved and, to confirm the integrity of the data being transferred these journals are reconciled with the reconciliation being signed by the person carrying out the transfer.</p> <p>Auditor assessment of progress:-</p> <p>Complete</p> | | |
| | | <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B | |
| Grade | B | | | | |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 5. All systems (including Debtors and Creditors) | | | | | |
|--|--|--|--|----------|--|
| Control Objective: To ensure that all key control reconciliations carried out are adequately performed. | | | | | |
| Key Control: All control reconciliations are regularly performed and these are signed and dated by the preparer and reviewer of the work carried out. | | | | | |
| Observation and Risk | Recommendation | Management Response | Position at May 2010 | | |
| <p>We noted that although expected key controls are in place, they were, in some cases such as the creditors and debtors control account reconciliations, not performed on a regular monthly basis and the first reconciliation in the new financial year was at the end of June.</p> <p>Best practice would dictate that these controls are performed at least monthly. We note that to date there have been no reports of material or significant issues from this.</p> <p>The risk is that without monthly reconciliations, material or significant issues arise and any resulting differences that occur are not investigated timeously.</p> | <p>We recommend that as debtors and creditors control account reconciliations are two of the Board's key controls, these are performed on a regular monthly basis and evidenced as such.</p> | <p>Monthly reconciliations of the debtors and creditors control accounts commenced in December 2008.</p> <p>To be auctioned by: Finance Manager</p> <p>No later than: 31/12/08</p> | <p>This has been actioned.</p> <p>Auditor assessment of progress:-</p> <p>Complete – our 2009/10 testing has noted regular reconciliations are performed for debtor and creditor control accounts, the temporary loan account, VAT and the Suspense account. The trial balance is also regularly formally reviewed. Some minor issues were noted such as the reconciliations did not always include details of preparer and reviewer. It is important that regular reconciliations are performed: best practice being that these are performed every month and contain details of preparer and reviewer.</p> | | |
| | | <table border="1"> <tr> <td>Grade</td> <td>B</td> </tr> </table> | Grade | B | |
| Grade | B | | | | |



9. Follow-Up Action Plan of the 2007/08 Review of Internal Controls

| 6. Payroll | | | |
|--|--|---|---|
| Control Objectives: To ensure that events that impact on payroll are immediately reported. | | | |
| Key Control: Payroll documentation in respect of starters and leavers is timeously submitted to the payroll section. | | | |
| Observation and Risk | Recommendation | Management Response | Position at May 2010 |
| <p>From our payroll testing of starters and leavers, we noted that the Board's payroll section do not always receive starter and leaver documentation timeously.</p> <p>There is a risk that if starter or leaver documentation is received late, that either employees are paid late or are overpaid. There is a risk of overpayments that result in a cash loss to the Board, the recovery of which can be difficult and time-consuming.</p> | <p>We recommend that a reminder is issued to all appropriate personnel to forward starter and leaver documentation to the payroll section timeously.</p> | <p>This was also the finding of a recent internal audit and it has been agreed that a reminder will be sent shortly with follow-up reminders when necessary to ensure a longer term solution.</p> <p>To be actioned by: Head of Corporate Services</p> <p>No later than: ASAP</p> | <p>This has been actioned.</p> <p>Auditor assessment of progress:-</p> <p>On-going – our 2009/10 review has still noted some issues with starter and leaver documentation. These include from a sample of six starter and leaver forms, two starter and one leaver forms were signed as authorised after the starter commenced and the leaver left employment. One starter form was also found to have no authorisation signature. It was also noted that non-attendance by retained fire-fighters can be marked as absent when in real terms this should be classed as a leaver.</p> <p>Maintaining accurate payroll data in terms of employees is one of the Board's key controls and this includes starter and leaver information.</p> |
| | | <p>Grade</p> | <p>B</p> |



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 in section 4 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report that opinion to you.

We are required to review whether Tayside Fire and Rescue Board's Statement on the System of Internal Financial Control reflects the Board's compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether the statement covers all risk and controls, or form an opinion on the effectiveness of the Tayside Fire and Rescue Board's corporate governance procedures or its risk and control procedures.



Appendix II ISA 260 Reporting to those charged with Governance

| Area | Key Messages |
|---|---|
| Nature and scope of audit | We have planned our audit in accordance with International Auditing Standards and the Code of Audit Practice. Information on our audit appointment and details of the engagement partner and audit staff were outlined in our Annual Plan. |
| Integrity and objectivity of the audit engagement partner and audit staff | As external auditors, we are required to communicate on a timely basis all facts and matters that may have a bearing on our independence. We provided no consultancy or non audit services to Tayside Fire and Rescue Board during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised. |
| Accounting policies and practices | In our opinion there are no issues that require to be brought to your attention regarding the appropriateness of the Board’s accounting policies and practices. |
| Material Risk and exposure | <p>Our Annual Plan considered the financial and business risks facing the Board that we assessed might impact on the Board’s accounts.</p> <p>We have continued to follow-up the six outstanding recommendations for our 2008/09 Follow-up of the 2007/08 Review of Internal Controls report and the two recommendations from our 2008/09 Report to Members. Progress is being made with recommendations from both reports, with one of the two actions from the 2008/09 Report to Members completed and three of the six actions from the Review of Internal Controls completed. We took cognisance of this progress during our audit. More detail regarding these and suggested improvements from our 2009/10 review of internal controls are provided in Sections 6 to 9.</p> <p>There are no other issues relating to these risk areas that require to be brought to your attention.</p> <p>The Board has confirmed that it has no material risks and exposures which should be reflected in the Financial Statements and the Treasurer has confirmed this in the Letter of Representation.</p> |



Appendix II ISA 260 Reporting to those charged with Governance

| | |
|---------------------------------|--|
| <p>Audit Adjustments</p> | <p>Three significant, three trivial audit adjustments and one disclosure adjustment were identified during the course of our audit of the financial statements. The Board agreed to adjust the accounts for these. The net effect of the agreed adjustments on the Income and Expenditure Account for 2009/10 was £0.066 million, changing the deficit reported in the draft accounts of £8.198 million to a deficit in the final accounts of £8.132 million. As the Income and Expenditure adjustments related to entries which are then cancelled in the movements on the General Fund there was no impact on the total General Fund Balance which remained at £0.608 million decrease on the General Fund balance for the year.</p> <p>The disclosure adjustment arose from the Chancellor of the Exchequer's announcement in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of FRS 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event and Note 15 to the financial statements, 'Events after the Balance Sheet Date', was amended to include the necessary disclosure.</p> <p>Further details are included at Appendix III. Definitions of material, significant and trivial are provided at Appendix IV.</p> |
| <p>Unadjusted Misstatements</p> | <p>A recent visit by Her Majesty's Revenues & Customs (HMRC) has indicated that Class IA NIC has been calculated incorrectly since 2004, with a potential liability to the Board of £0.028 million. In addition the Board may also face a financial penalty for this error. The accounts have not been adjusted for this as although significant it is not material to the accounts.</p> <p>There were no further unadjusted misstatements (other than those which are trivial).</p> |
| <p>Material Uncertainties</p> | <p>There are no material uncertainties related to events and conditions that cast significant doubt on the Board's ability to continue as a going concern.</p> <p>The Board's Balance Sheet at 31 March 2010 has an excess of liabilities over assets of £205.870 million (31/03/09 £129.754 million) due to the accrual of pension liabilities in accordance with Financial Reporting Standard 17 (FRS 17) Retirement Benefits. The Board has adopted a 'going concern' basis for the preparation of the financial statements as constituent authorities of the Board are required to meet all liabilities of the Board as they fall due.</p> <p>The Board has confirmed its ability to continue as a going concern in the Letter of Representation and we agree with the basis of preparation of the accounts.</p> |



Appendix II

ISA 260 Reporting to those charged with Governance

| | |
|-------------------------------------|--|
| Fundamental Disagreements | There are no areas of disagreement with management that, individually or in aggregate, have a significant impact on the financial statements and our audit report. |
| Modifications to our audit report | There are no modifications to our audit report. |
| Material Weaknesses | <p>No material weaknesses in the accounting and internal control systems were identified during the audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.</p> <p>Some opportunities to improve internal control are included at Section 7.</p> |
| Other matters relevant to the audit | There are no other matters specifically required by other auditing standards which need to be communicated. However there are significant issues in relation to the preparation of Whole of Government Accounts (WGA) and SPIs and with the provision of Internal Audit services which have been discussed in other sections of this report. |

Appendix III

Audit Adjustments

Significant audit adjustments

1. Overstatement of Debtors and Creditors £0.076 million

Expenditure of £0.076 million for 2010/11 was incorrectly adjusted against debtors which meant both debtors and creditors were overstated.

2&3 Depreciation on property and equipment additions during 2009/10 £0.061 million

Depreciation was found to have been charged on property and equipment additions in year, of £0.044 million and £0.017 million respectively. As this is not in line with the Board's depreciation policy "no depreciation will be charged in year of purchase" the depreciation charge processed for property and equipment additions has been removed.

Capital accounting entries of £0.061 million between the Statement of Movement on the General Fund Balance and the Capital Adjustment Account were also required to fully account for the depreciation adjustments to property and equipment.

Trivial audit adjustments

1. Depreciation on vehicle additions during 2009/10 £0.005 million

Depreciation was found to have been charged on vehicle additions in year of £0.005 million. As noted above this is not in line with the Board's depreciation policy and the depreciation charge processed for vehicle additions has been removed.

2. Depreciation on vehicle disposals £0.011 million

Depreciation was found to have not been charged on vehicles disposed of during the year of £0.011 million. As this is not in line with the Board's depreciation policy "a full year's depreciation will be charged in year of disposal," depreciation on these vehicles has been processed.

Capital accounting entries of £0.011 million between the Statement of Movement on the General Fund Balance and the Capital Adjustment Account were also required to fully account for the depreciation adjustments to vehicles.

3. Correction to Gain on sale £0.011 million

Charging depreciation in the year of disposal reduces the net book value of the asset at the time of disposal and this will result in a corresponding increase in the gain on disposal. The increase to the gain on sale of £0.011 million was brought into the accounts.

Capital accounting entries of £0.011 million between the Statement of Movement on the General Fund Balance and the Capital Adjustment Account were also required to fully account for the gain on disposal adjustments to vehicles.



Appendix IV

Definition of Material, Significant and Trivial

We are required to express an opinion on whether the accounts give a true and fair view of the financial position of the Board. In arriving at that opinion we need to assess any weaknesses, misstatements and errors discovered during our audit testing. Additional information or events in the period between the balance sheet date and the date we sign our audit report must also be considered.

In order to help us to assess the impact of errors we classify them as material, significant or trivial.

Materiality is set at the start of the audit using statistical formula and following consideration of risk. The value for significant and trivial are set in relation to the materiality figure.

Material misstatement and adjustments

Material misstatements are misstatements that, in our opinion, mean that the accounts do not give a true and fair view. Material misstatements discovered during our audit are discussed with management and agreement reached over the required revision for the final audited accounts. Where no agreement is reached to make a material adjustment we would need to consider qualifying our audit opinion.

Significant misstatements and adjustments

Significant items are lower in value than material items, but still of a size that might give rise to the financial statements not giving a true and fair view, particularly if there are several of them, which in total would become material. The Board has the option of adjusting for significant misstatements or not. The impact of any significant misstatements not adjusted for in the final audited accounts would need to be considered and where the combined impact of non-adjusted items was material, this could lead to a qualified opinion. Reasons for non adjustment of significant misstatements are required to be reported to the members.

Trivial errors and adjustments

Trivial errors are those with a fairly low value, and which do not affect the true and fair view of the financial statements. These are recorded and summarised during the audit and the overall total net impact is considered. Individual trivial errors would not require adjustment. If the net total of trivial errors becomes significant or material then there will be an issue to be considered for our report unless the Board agrees to adjust the errors.



Appendix V Acronyms

| | | | |
|------------|---|---------|--|
| AGS | Annual Governance Statement | PFI/PPP | Public Finance Initiative / Public Private Partnership |
| APB | Accounting Practices Board | | |
| ARP | Aerial Rescue Pumps | PSIF | Public Sector Improvement Framework |
| CIPFA | Chartered Institute of Public Finance and Accountancy | SCG | Scottish Coordinating Group |
| CFCR | Capital Financed From Current Revenue | SLA | Service Level Agreement |
| CFO / CFOA | Chief Fire Officer / Chief Fire Officer's Association | SFRAU | Scottish Fire and Rescue Advisory Unit |
| COSLA | Convention of Scottish Local Authorities | SG | Scottish Government |
| CPP | Community Planning Partnership | SMGFB | Statement of Movement of General Fund Balance |
| DCC | Dundee City Council | SOLACE | Society of Local Authority Chief Executives |
| FCE | Financial Control Evaluation | SOA | Single Outcome Agreement |
| FRS | Financial Reporting Standards | SORP | Statement of Recommended Practice |
| GAAP | Generally Accepted Accounting Principles | SPI | Statutory Performance Indicators |
| GAE | Grant Aided Expenditure | SSIFC | Statement on the System of Internal Financial Control |
| HMRC | Her Majesty's Revenues and Customs | WGA | Whole of Government Accounts |
| IAS | International Accounting Standards | UK | United Kingdom |
| IFRS | International Financial Reporting Standards | | |
| ISA | International Standard on Auditing | | |
| LGPS | Local Government Pension Scheme | | |
| NFI | National Fraud Initiative | | |
| NJC | National Joint Council | | |
| NIC | National Insurance Contributions | | |
| OBE | Order of British Empire | | |