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Grampian Fire and Rescue Joint Board

Our Final Report to the Scrutiny Committee and the Board on the 2012 Audit

29 August 2012

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Dear Sirs

We have pleasure in setting out in this document our report to the scrutiny committee of Grampian Fire and Rescue Joint Board for the year ended 31 March 2012 for discussion at the meeting scheduled for 29 August 2012. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2012.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Senior Statutory Auditor

Contents

Executive summary

Status	Description	Detail
Completion of the audit		
Our audit is largely complete	The status of the audit is as expected at this stage of the timetable agreed in our audit plan The following are the remaining areas we are required to complete to finalise the audit: • Our review of events since 31 March 2012; and • Receipt of signed management representation letter.	N/A
Overall view		
Anticipated unmodified audit opinion	On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements. The matters that we have taken into account in forming our overall view are described in the following sections.	N/A

Executive summary (continued)

Status	Description		Detail
Significant audit risks		**Status**	
We are satisfied with the treatment adopted for key audit risk areas	We discuss within **Section 1** the results of our work in relation to the key audit risk which have been identified as being significant for the current year accounts. These include: 1. Expenditure recognition; 2. Property, plant and equipment valuation; 3. Capital accounting reserves; 4. Recording of provisions; 5. Revenue recognition (local authority requisitions);and 6. Management override of controls.	(Green) (Green) (Amber) (Green) (Green) (Green)	Section 1

(Green) Risk appropriately addressed.

(Amber) Risk satisfactorily addressed but with unadjusted errors identified.

(Red) Material unresolved matter.

Our observations on your financial statements		
Disclosures agreed as in line with the Code of practice on local authority accounting in the United Kingdom 2011/12	We have performed a review of the financial statements against the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We have made comments in this report on the following: • Prior year adjustments; • Disclosure of critical accounting judgements and key sources of estimation uncertainty; • Related party disclosure; and • Disclosure on the Defined Benefit Pension Schemes.	Section 3

Executive summary (continued)

Status	Description	Detail
Our observations on the "front half" of your annual report		
Disclosures agreed as in line with the Code	We have performed a review of the financial statements against the requirements of the Code. We have made comments in this report on the following: • Statement of Assurance on the System of Internal Financial Control; • Remuneration Report; and • Going concern.	Section 4
Financial performance and outlook		
The net operating expenditure for the year was £26.546 million resulting in a surplus against budget of £1.232 million	The Joint Board's budget for 2011/12 was set at £27.196 million, which was financed by £24.663 million from the three constituent authorities, a Scottish Government pensions grant of £2.253 million and utilisation of reserves of £1million. The final outturn for the year was a surplus against budget of £1.232 million. In addition, there was a £2.008 million surplus to be used to fund the deficit on the Pension Account. For 2011/12 the capital grant for the Joint Board amounted to £1.670 million. In addition, £0.060 million was carried forward from 2010/11 to fund the capital expenditure in 2011/12 and £0.137 million was funded from the revenue budget. Total capital expenditure for the year was £1.867 million. A "flat cash" budget with no increase on the previous years budget has been approved by the Board for 2012/13. In addition, it was agreed to use £1 million of reserves to fund the budget, with no increase in funding for the constituent authorities. Although no savings had been made in the budget, the Service frontloaded 4.6% of savings in the 2011/12 budget. This is the last Revenue Budget prepared for Grampian Fire and Rescue Service as the budget for 2013/14 will fall under the new Service. The 2012/13 capital programme totalled £1.868 million, which is being funded by way of capital grant and also by utilising the capital receipts reserve. The plan has been drafted to take account of fire service reform and included mainly projects which could be completed within the financial year. The main area of the proposed expenditure for 2012/13 was on the works for enhanced facilities at the development centre in Portlethen.	Section 5

Executive summary (continued)

Status	Description		Detail
Other issues		**Status**	
We have nothing to draw to the committees' attention from our enquiries into the arrangements in place for the other issues which have not been assessed as financial statement risks in our plan.	Other issues which have not been assessed as financial statement risks, but were considered as part of our audit in line with compliance with the Code of Audit Practice and work on Best Practice are:		Section 6
	1. Transition to Single Scottish Fire and Rescue Service from 1 April 2013;	● (Green)	
	2. Workforce capacity;	● (Green)	
	3. Governance arrangements post-local elections in May 2012;	● (Green)	
	4. Delivery of services with reduced funding;	● (Green)	
	5. Achievement of local and national outcomes from Single Outcome Agreements; and	● (Green)	
	6. Industrial relations.	● (Green)	
		● (Green)	

● (Green) Issue reviewed & procedures deemed appropriate.

● (Amber) Issue reviewed and minor recommendations raised.

● (Red) Issue reviewed and significant recommendations raised.

Best value and Community Planning		
We have considered the findings in the Best Value report as part of our audit work.	Audit Scotland published its Best Value report on Grampian Fire and Rescue Service in March 2012. More recently, it published its overview report on Best Value in fire and rescue services in Scotland in July 2012. This report draws together the findings of the recent audits on each of the eight fire and rescue services on how well they use resources to deliver best value for communities they protect. The report notes that the single service, due to be established next year, will inherit many aspects of strong performance from the existing services, but there is still scope for significant improvement.	Section 7

Executive summary (continued)

Status	Description	Detail
Performance Reporting and Statutory Performance Indicators (SPIs)		
We have assessed that the Board is fulfilling its obligations with regard to publishing accurate and complete performance information	We have reviewed the Board's arrangement for collecting and recording information, and for publishing it, as required for it performance of its duties.	Section 8
Audit Scotland National performance reports		
We have followed up the Board's progress in response to the specific national performance report highlighted by Audit Scotland.	In line with our planning paper we have completed our work on the National performance reports. **Section 8** includes a summary of our findings. We have reviewed how the Board have responded to the national performance report "Scotland's public finances: addressing the challenges".	Section 9
Risk management and internal control systems		
We have not identified significant deficiencies in the financial reporting systems.	Our audit findings did not identify any significant deficiencies in the financial reporting systems. **Section 9** sets out the risk management and control observations arising from our audit procedures. Our management letter will provide further details of the results of our work on risk management and internal control systems.	Section 10

Executive summary (continued)

Status	Description	Detail
Independence		
We are independent as stipulated by APB Ethical Standards of Auditors	Our reporting requirements in respect of independence matters, including fees, are covered in **Section 12**.	Section 12
Identified misstatements and disclosure misstatements		
All identified misstatements which are material have been corrected by management	Audit materiality was £360,000 as set out in our audit plan. Final materiality based on year end balances has been calculated at £423,500. No material uncorrected misstatements have been identified. Details of recorded audit adjustments are included in **Appendix 1**. The following adjustments have been brought to your attention: • A material audit adjustment of £1.019 million was required due to an error in allocating the revalued amount of Property Plant and Equipment between the Revaluation Reserve and the Comprehensive Income and Expenditure Statement. This was due to a combination of: o the depreciation write-back being has been incorrectly allocated between the Revaluation Reserve and the Comprehensive Income and Expenditure Statement; o the revaluation reserve amount for the Altens land being missed from the adjustment made in 2010/11. As this land is not owned by Grampian Fire and Rescue and is no longer on its balance sheet, the revaluation amount should also have been removed. • As this is reversed out as a statutory adjustment within the Movement in Reserves Statement, this adjustment has no impact on the reported General Fund balance.	Appendix 1
Significant representations		
No non-standard representations	A copy of the representation letter to be signed on behalf of the board is included at **Appendix 2**. There are no non-standard representations.	Appendix 2

Financial statements and corporate governance

1. Significant audit risks

The results of our audit work on significant audit risks are set out below:

Understanding the subjective judgements and estimates

The table below shows, on a range of acceptable outcomes from less prudent to more prudent, where management's key assumptions and valuations relating to significant estimates lie. Where appropriate we have made use of industry averages or other relevant information on "peer group" companies available from public sources.

Acceptable range

	Less prudent														More prudent	
Property, plant and equipment (PPE) valuation								✓								Revaluations of PPE based on methodology and assumptions adopted by the Board's independent valuers. All operational land and buildings are revalued over a 5 year rolling programme. We have considered impairment for those assets not included in the current year valuation and no issues were noted.
Recording of provisions								✓								Provision for sick pay payable to retained firefighter based on information provided by independent third parties, agreed at a national level. Agreement has now been reached with the Unions, therefore provision based on anticipated cost.
Revenue recognition								✓								Revenue recognised agrees to the 2011/12 budget agreement for requisitions from each of the three constituent authorities.

Current year position ✓

Financial statements and corporate governance (continued)

1. Significant audit risks (continued)

Expenditure Recognition	Status ● (green)
Background	Following the UK Government's Comprehensive Spending Review and the announcement of funding for 2011/12, the Board's revenue budget for 2011/12 was set at £27.9 million, a reduction of 4.2% on the previous year. This was achieved through reduced staff costs due to removal of some non-essential posts, the introduction of a vacancy factor and a zero pay award, and by scrutinising every budget line for potential savings. Given the scale of these savings there is a risk that material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. This may be by deferring expenditure to a later period, incorrectly classifying revenue spend as capital or not recognising expenditure in the correct financial period.
Deloitte response	We have reviewed the methods applied to monitor and report on performance against budget to the Board. We have concluded through the performance of our year end procedures, the expenditure and receipts were incurred or applied in accordance with the Board procedures and the 2011/12 Code and the expenditure is valid and correctly classified between revenue and capital spend. We have also tested for any unrecorded liabilities, and confirmed that expenditure has not been deferred.

Property, plant and equipment (PPE) valuation	Status ● (green)
Background	The Board has property, plant and equipment with a net book value of £58.724 million of which £50.899 million relates to land and buildings which are subject to a five year rolling programme of revaluations. In the current year, the Boards independent valuer revalued £28.255 million of the land and buildings, resulting in a net downward revaluation of £632,000, of which £187,000 was charged to the Revaluation Reserve and £445,000 charged to the CIES. With changes in the economic environment and property market, these assets can be subject to material changes in value and there is a risk that these changes are not appropriately recorded in the financial statements.
Deloitte response	Deloitte obtained and reviewed the external revaluation performed on Land and Buildings to ensure that the valuations have been performed by suitably qualified individuals and that valuations have been made using a reasonable basis and have been performed in a timely manner. We have selected a sample of assets and reperformed the calculation agreeing that the correct charge or gain has been taken through the correct line of the financial statements (revaluation reserve or CIES), based on the valuations of buildings provided by the valuer and the NBV per the Fixed Asset register. We have also agreed the revaluation reserve balance for the asset to the calculated surplus. Our internal property specialists have assisted us in reviewing the assumptions and methodology applied by the valuer and have not identified any issues.

Financial statements and corporate governance (continued)

1. Significant audit risks (continued)

Capital accounting reserves	Status ● (amber)
Background	There is an audit risk in relation to the capital accounting reserves due to their complex nature and the value of transactions processed at the year-end giving rise to potential material misstatements.
Deloitte response	We gained an understanding of the journal entries processed at the year-end for all capital accounting reserves, and performed sample testing to ensure that they have been processed in line with the 2011/12 Code. A material audit adjustment was identified in the Revaluation Reserve, as detailed in Appendix 1 which has been adjusted in the financial statements. Given this finding and the issue of the prior period adjustment on the Revaluation Reserve detailed on page 12, we have recommended that additional training should be obtained to ensure that the finance staff fully understand the capital accounting requirements of the Code. This is expanded further in our internal control observations in Section 10.

Recording of provisions	Status ● (green)
Background	There is an audit risk in relation to inadequate recording of provisions in the financial statements. Significant provisions may be required to reflect the costs of sick pay to part time firefighters or costs for compensation for equal pay claims. There is a risk that year end provisions are incomplete or inadequate.
Deloitte response	**Outstanding legal cases** We obtained legal confirmation from working committee of the Retained Firefighters Union in relation to the ruling made by the House of Lords in relation to The Part Time Workers (Less Favourable Treatment) Regulations 2000 which indicates that sick pay would be payable to retained firefighters. As the details of this case have now been finalised, the Board has a legal obligation to make a payment for sick pay. Actual settlement has been made for some of these cases in June, with the balance due to be paid in September. We have verified that a sample of amounts making up the provision made in the financial statements to payments or accepted settlement letters.

Financial statements and corporate governance (continued)

1. Significant audit risks (continued)

Revenue recognition	Status ● (green)
Background	Under ISA (UK and Ireland) 240 'The auditor's responsibility to consider fraud in an audit of financial statements there is a rebuttable presumption that there is a risk of fraud in relation to revenue recognition'. For the Board we have considered this risk to be around the completeness of the requisitions from the constituent authorities, given the significance of this to the organisation.
Deloitte response	We have reviewed the treatment of income in the year to consider whether it is in line with IFRS guidance and the Code. We have obtained a copy of the 2011/12 budget approved by the Board detailing the requisitions due from each of the constituent authorities which has been agreed to the amount recognised by the Board. We have also agreed the requisitions as received through the bank account. No issues noted.

Management override of controls	Status ● (green)
Background	Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities. This risk cannot be pinpointed to an account balance or potential error and therefore specific procedures to respond to the risk of management override of controls should be designed and performed.
Deloitte response	We have obtained an understanding of the design and implementation of the key controls in place in relation to the posting of journal entries. We have performed procedures on a judgmental sample of journal entries posted in the year and confirmed the appropriateness of the journals posted. In addition, we have also conducted a review of significant accounting estimates in order to assess the reasonableness of managements' judgements in relation to these estimates. We have not noted any transactions that appear to be outwith the course of normal business.

Financial statements and corporate governance (continued)

2. Liaison with internal audit

A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit in terms of International Standard on Auditing 610 (Considering the work of internal audit). We carried out an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function provided by Aberdeenshire Council and concluded that we could place reliance on its work.

We placed reliance on aspects of their work in a number of areas and in particular Purchasing & Creditors and Payroll. This not only avoided duplication of effort but also enabled us to focus on other significant risks.

Our reliance upon the work of internal audit was in line with the position presented within our planning paper dated 30 March 2012.

Financial statements and corporate governance (continued)

3. Our observations on your financial statements

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understand ability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the accounting policies and estimates are discussed below.

Prior Year Adjustment	
Description	IAS 8 and the 2011/12 Code requires that where a prior period error is corrected, an authority shall disclose the following: • the nature of the prior period error; • the amount of the correction for each financial statement line item affected; and • the amount of the correction at the beginning of the earliest prior period presented.
Deloitte response	We have assessed the above disclosures based on our review of the accounts. A restated opening balance sheet has been disclosed to reflect the prior period errors. A note explaining the adjustment required in relation to the revaluation reserve has been incorporated into Note 2 of the accounts and clearly explains the impact that this has on the accounts. The note shows the impact for each financial statement line that has been affected. During the preparation of the 2011/12 financial statements, it was identified that the entries made against the Revaluation Reserve in 2007/08 had incorrectly netted off downward revaluations in buildings against upward revaluations in land. This was only identified in the 2011/12 financial statement process as the assets revalued in 2007/08 have been revalued again in 2011/12. The downward revaluation should have been charged to the Comprehensive Income and Expenditure Statement. The total adjustment was £527,000, being a movement between the Revaluation Reserve and the Capital Adjustment Account. As this is a movement between reserves, this adjustment has no impact on the reported General Fund balance. We have tested the adjustment made and confirmed that the journal entries made are in accordance with the 2011/12 Code.

Financial statements and corporate governance (continued)

3. Our observations on your financial statements (continued)

Disclosure of critical accounting judgements and key sources of estimation uncertainty	
Description	IAS 1 requires disclosure of: • the critical judgements made in the process of applying accounting policies, which have the most significant effects on the amounts recognised in the financial statements; and • major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgements and key sources of estimation uncertainty identified by management are: • net pension liability; and • Single Fire and Rescue Service from 1 April 2013.
Deloitte response	We have assessed the above disclosures based upon our review of the accounts and understanding of the organisation and the specific risks we identified as part of our planning process. We have not identified any other critical accounting judgements or key sources of estimation uncertainty that require to be disclosed. See page 15 for the work done on defined benefit schemes provisions in respect of the net pension liability. In respect of move to a single Fire and Rescue Service, we have confirmed that as this is a machinery of government change, it is acceptable to continue to account for on a going concern basis.

Financial statements and corporate governance (continued)

3. Our observations on your financial statements (continued)

Related party disclosures	
Description	The 2011/12 Code requires reporting of related party relationships, transactions and balances. The disclosure required in respect of central government departments, government agencies, NHS bodies and other local authorities are less detailed than in the 2010/11 Code. The Board does not have processes or controls in place to ensure transactions with these individuals are identified and appropriately approved and disclosed.
Deloitte response	We have inquired of Boards senior management in our work on related parties. We have not identified any undisclosed related party transactions, and consider this to be a relatively low risk disclosure for the Board.

Financial statements and corporate governance (continued)

3. Our observations on your financial statements (continued)

Disclosure on the Defined Benefit Pension Schemes	
Description	The Board participates in three defined benefits schemes: • Two Firefighters' Pension Schemes for uniformed personnel. These are both unfunded schemes, meaning that there is no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. • The Local Government Pension Scheme for control personnel and support staff. This is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities and investment assets.
Deloitte response	We have obtained a copy of the actuarial report produced by Mercer, the scheme actuary, and agreed in the disclosures to note 32 within the accounts noting no issues. We have also assessed the independence and expertise of the actuary supporting the basis of reliance upon their work. As at 31 March 2012, the Board has reported the present value of the liabilities exceed the value of the pension assets, giving a deficit of £171.477 million. We have considered the work carried out by PwC on behalf of Audit Scotland which assessed the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2012. We concur that the assumptions used appear reasonable and in line with those being used by other organisations with a March 2012 year end.

Financial statements and corporate governance (continued)

4. Our observations on the 'front half' of your annual accounts

We are required to read the "front half" of your annual accounts to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on disclosures in a number of key areas for high quality reporting:

Statement of Assurance on the System of Internal Financial Control	
Regulations require English, Welsh and Northern Irish authorities to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any Statement of Accounts. "Delivering Good Governance in Local Government" published by CIPFA and SOLACE recommends that the review be reported in an Annual Governance Statement. Scottish local authorities are not subject to such statutory requirements but may adopt them voluntarily. Authorities that do not voluntarily choose to do this shall include a statement on the system of internal financial control with their Statement of Accounts.	Grampian Joint Fire and Rescue Board have chosen not to publish the wider Annual Governance Statement within its statement of accounts. It has therefore included a Statement of Assurance on the System of Internal Financial Control, in accordance with the Code. The format and content of the statement is consistent with the requirements of the Code and concludes that reasonable assurance can be placed on the adequacy and effectiveness of the Joint Board's Internal Control System in the year to 31 March 2012. No areas have been highlighted as requiring improvement, which is consistent with the findings of our audit.

Financial statements and corporate governance (continued)

4. Our observations on the 'front half' of your annual account (continued)

Remuneration Report	
Local authorities are required by an amendment to the 1985 Regulations to publish a remuneration report as part of their statement of accounts. Guidance was issued by the Scottish Government with finance circular 8/2011 which is intended to assist authorities in implementing this requirements, and provides a number of sample disclosures.	Grampian Joint Fire and Rescue Board has published a Remuneration Report as part of its statement of accounts, in accordance with the amendment regulations. The Remuneration Report provides details of the Joint Board's remuneration policy for its senior employees, being the Brigade Managers, senior councilor, being the Convenor and Vice-Convenor of the Joint Board and senior officers being the Treasurer and Clerk of the Joint Board. We are satisfied that the remuneration report has been prepared in accordance with the amendment regulations and is consistent with the findings of our audit.

Going concern	
"The purpose of the going concern assessment and disclosures should be to provide information to stakeholders about these matters and they should be designed to encourage appropriate business behaviours." Lord Sharman November 2011	Relevant disclosures around the basis of preparation have been made within the financial statements. The balance sheet as at 31 March 2012 shows a net liability of £120.800 million. This is due to the inclusion of net pension liabilities of £171.477 million falling due in future years and arising from the application of IAS 19, Employee Benefit. We concur that it is appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due. We are not aware of any issues that would prevent the constituent authorities from providing such funding.

Best value, use of resources and performance

5. Financial performance and outlook

	2011/12			2012/13
	Budget £m	Actual £m	Variance £m	Budget £m
Gross Expenditure	25.796	24.659	1.137	25.489
Income	(0.133)	(0.228)	0.095	(0.092)
Net Expenditure	**25.663**	**24.431**	**1.232**	**25.397**
Requisitions	24.663	24.663	0	24.663
Surplus/ (deficit) on Requisitions	**(1.000)**	**0.232**	**1.232**	**(0.734)**
Budget to be Funded from Reserves	1.000	1.000	0	1.000
Surplus/(deficit) on Revenue Expenditure	**0**	**1.232**	**1.232**	**0.266**
Pension Expenditure to be met from grant	2.253	2.115	0.138	2.519
Pension Grant	(2.253)	(4.123)	1.870	2.253
Surplus/ (deficit) on Pensions	**0**	**2.008**	**2.008**	**(0.266)**
Total Surplus/ (deficit)	**0**	**3.240**	**3.240**	**0**

Best value, use of resources and performance

5. Financial performance and outlook (continued)

Current performance

Grampian Joint Fire and Rescue Board budgeted to use £1 million of reserves in order to achieve a balanced budget for the year to 31 March 2012. The final outturn was an in year surplus of £1.232 million, with a further £2.008 million to be used to fund the deficit on the Pension Account.

Significant variations from budget included:

- **Employee costs** were slightly underspent during the year at 97% of budget mainly as a result of lower than anticipated activity in the retained duty system. In addition to this there were a number of vacant staff posts throughout the year.
- **Insurance costs** were lower than anticipated due to retendering and renegotiation of the contract which resulted in lower premiums being paid. This was mainly due to the Service's low claims history.
- **Transport costs** reported an overspend as the cost of fuel for the Service's vehicles was higher than anticipated, however, this was compensated by a reduction in the anticipated travel costs for staff.

Outlook

A "flat cash" budget with no increase on the previous year's budget has been approved by the Board for 2012/13. In addition, it was agreed to use £1 million of reserves to fund the budget, with no increase in funding for the constituent authorities. Although no savings had been made in the budget, the Service frontloaded 4.6% of savings in the 2011/12 budget. This is the last Revenue Budget prepared for Grampian Fire and Rescue Service as the budget for 2013/14 will fall under the new Service.

The 2012/13 capital programme totalled £1.868 million, which is being funded by way of capital grant and also by utilising the capital receipts reserve. The plan has been drafted to take account of fire service reform and included mainly projects which could be completed within the financial year. The main area of the proposed expenditure for 2012/13 was on the works for enhanced facilities at the development centre in Portlethen.

Best value, use of resources and performance (continued)

6. Other issues

The results of our work on the other issues are set out below:

Transition to Single Scottish Fire and Rescue Service from 1 April 2013	Status ● (green)
Background	Legislation setting out the Scottish Government's plans for a single Scottish Fire and Rescue Service has now been published and subject to Parliamentary approval of the legislation, the Scottish Fire and Rescue Service is expected to go live on 1 April 2013. This brings a number of significant risks to the board for the period to 31 March 2013, including the governance arrangements in relation to the transfer of staff, assets and other resources to the new organisation, as well as arrangements to ensure it continues to exercise its statutory responsibilities in relation to the delivery of fire and rescue services.
Deloitte response	From discussion with management, we have noted that the transitional protocols covering workforce, appointments, business support, protection & prevention and response & resilience have been adopted by the Joint Board. These have been developed by the respective Programme Leads and approved by the Service Design Board. The Service Design Board has representatives from all Scottish fire and rescue services as part of the decision making process and while the protocols themselves have no mandatory obligations attached to them, they provide a harmonised direction of travel and are a prudent and sensible way to conduct business in the lead up to the single service. Management has confirmed that although these protocols can't be enforced, they are not aware of any significant deviations within Grampian. The protocols are available for all staff via the intranet, and all Service leads have been specifically made aware of those that directly impact, for circulation amongst teams. The statutory Transitional Fire and Rescue Framework for Scotland 2012 was laid before Parliament in May 2012 and provides guidance and support to fire and rescue authorities. It sets out Scottish Ministers' expectations of fire and rescue authorities in contributing to the fire reform agenda to ensure a smooth introduction for the new service whilst maintaining current fire and rescue outcomes. This was reported to the Joint Board on 29 June 2012. Grampian has developed a gap analysis matched against the Framework to determine its level of compliance. As Grampian has been fully engaged in the delivery of reform including lead roles in key aspects of the transitional work since the outset, management has confirmed that further impact on business as usual is expected to be minimal. Grampian is represented on each of the sector led projects and on the Service Design Board. In addition, the Chief Fire Officer, as Chair of the Chief Fire Officer Association Scotland, is a member of various Government led project boards. In that context, management consider themselves to be well placed in terms of the transitional process. The Service has re-aligned its business plans and strategic priorities to align with reform with the Deputy and Assistant Chief Fire Officers focussed on delivering against the reform agenda locally.

Best value, use of resources and performance (continued)

6. Other issues (continued)

Workforce capacity	**Status ● (green)**
Background	Given the work required in order for the Scottish Fire and Rescue Service to go live on 1 April 2013, a number of the senior management team within Grampian are currently on secondment to the project. Involvement with managing this change means that management time is taken away from the main task of delivering services. There is a risk that the Board has not fully considered this at a local level.
Deloitte response	Management has confirmed that only three members of Grampian staff are 100% seconded to the project, with other members of staff, normally around the mid-senior management level, involved at varying degrees. This is being managed within existing capacity as Grampian specific projects are reducing, meaning staff have availability to work on Reform projects. Staff capacity is being closely monitored by the Deputy Chief Fire Officer to ensure that as the Reform projects progress, this does not have any impact on the Grampian services. Management has confirmed that there has not been any significant reduction in staff numbers following the announcement. The Deputy Chief Fire Officer has overall responsibility for Change Management. Around the start of the 2012, a number of staff engagement events took place with the corporate team visiting departments and watches to brief staff on the planned changes. Further engagement is planned around September/ October of 2012 at which time the new Chief Fire Officer for Scotland will be appointed. As well as the staff engagement events, a Reform website has been set up, which is available to all staff via the intranet. This is updated on a weekly basis and includes a Frequently Asked Questions section and covers questions from across Scotland. Based on the above, Deloitte has concluded that workforce capacity is being appropriately managed.

Best value, use of resources and performance (continued)

6. Other issues (continued)

Governance arrangements post-local election in May 2012	Status ● (green)
Background	A new Joint Board will be established following the Scottish Local Government Elections in May 2012. Membership of the Board will only be short term given the changes due to take place from 1 April 2013. This is a potential risk as the new Members will have very little time to make any impact. At the same time, shadow arrangements are due to be put in place around October 2012 for the new single Scottish Fire and Rescue Service, to run in parallel with the local Joint Board's until their disbandment at 31 March 2013. There is a potential risk here that needs to be managed to ensure that local services are not compromised during this period.
Deloitte response	Following the Local Government elections, a new Board was appointed in June 2012. This Board comprises a mix of both old and new Members and a comprehensive induction was provided by the Chief Fire Officer at their first meeting. Shadow arrangements have still to be put in place for the new single Fire and Rescue Service. At a Scottish Government level, an Action Plan is being drawn up in order to provide guidance on how each of the Joint Boards will be wound up. This will include ensuring that there is a meeting to sign off the 2012/13 financial statements.

Best value, use of resources and performance (continued)

6. Other issues (continued)

Delivery of services with reduced funding	Status ● (green)
Background	Grampian Fire and Rescue Service needs to be able to demonstrate that it is delivering an effective service for the public and achieving value for money. Given the increasing cost pressures, and the imminent structural changes across Scotland, there is an increasing risk that the Board will be unable to continue delivering services at the current level.
Deloitte response	Deloitte has reviewed the draft annual Public Performance Report to compare the actual outcomes against the Business Plans for each of the six strategic aims. With the exception of some specific areas, we noted that management have reported that the actions identified in the Business Plans have been implemented, and the Services performance is continuing to improve in these areas. Some specific areas around efficient working and the carbon management plan have been suspended due to the work on the Fire Reform Programme.

Achievement of local and national outcomes from Single Outcome Agreement	Status ● (green)
Background	Grampian Fire and Rescue Service, as a public body, is open to scrutiny in regards to its stated targets and quality ambitions which are common to all public bodies across Scotland. It is important that the Board with these ambitions and targets is able to show how these have been achieved. In addition, the Board needs to be able to demonstrate a robust process for linking spend and activities to outcomes achieved for its citizens.
Deloitte response	As noted above, we have reviewed the draft annual Public Performance Report, which links the outcomes against each of the key strategic aims. The Service also directs specific funding to the Community Planning Partnership to target specific outcomes. This is an area that Audit Scotland is currently reviewing at Community Planning Partnership level.

Best value, use of resources and performance (continued)

6. Other issues (continued)

Industrial Relations	Status ● (green)
Background	The Fire Brigades Union has responded to the government's recent proposals for fire service pensions, and is currently consulting with members with a view to a potential ballot for strike action.
Deloitte response	At the time of our planning work, there was a potential ballot for strike action. Management has confirmed that contingency plans were put in place, however, the strike action did not materialise and therefore were not required. These plans are available should any future threats of strike action arise. Management are not aware of any issues around industrial relations and noted that as part of Reform have established good industrial relations at a national level. The Assistant Chief Fire Officer consults with the trade unions on regular basis and regular meetings are also held with management.

Best value, use of resources and performance (continued)

7. Best value and Community Planning

The Local Government in Scotland Act 2003 established Best Value and Community Planning as statutory duties for local authorities. In response to these duties, the Accounts Commission introduced specific arrangements for the audit of Best Value and Community Planning under section 53 of the Act.

Best Value reviews of all eight fire and rescue services and authorities have been carried out in 2011/12 with reports being issued by the Accounts Commission for all prior to a national report issued in July 2012.

Audit Scotland published its BV report on Grampian Fire and Rescue Service in March 2012. Key points noted from this report are:

- Grampian Fire and Rescue provides an effective and relatively low cost emergency response service. It is well managed, with a strong focus on the health and safety of its workforce, but there is scope to focus more on prevention to reduce fire casualties.

- Grampian works well with partners in preventing fires, particularly secondary fires (such as on heath land or in derelict buildings) and reducing road traffic accidents. However, it carries out the lowest proportion of home fire safety visits and statutory fire safety audits of any Scottish fire and rescue service and has a relatively high level of fire casualties. This indicates that its prevention work can have a much greater impact.

- Grampian Fire and Rescue has strengthened its management arrangements in recent years to better support the delivery of its vision. It has clear aims that cascade through corporate strategies and well-structured business plans.

- Board members have been improving their strategic leadership role and scrutiny of resources and performance but they need to play a more proactive role in influencing and coordinating strategic partnership working.

More recently, Audit Scotland published its overview report on Best Value in fire and rescue services in Scotland in July 2012. This report draws together the findings of the recent audits on each of the eight fire and rescue services on how well they use resources to deliver best value for communities they protect. The report notes that the single service, due to be established next year, will inherit many aspects of strong performance from the existing services, but there is still scope for significant improvement.

Best value, use of resources and performance (continued)

8. Performance Reporting and Statutory Performance Indicators (SPIs)

We have noted that, in line with that reported by Audit Scotland in its Best Value report, Grampian Fire and Rescue monitors and reports a good range of performance information to members and the public, with measures clearly linked to its priority themes. It reports its performance using a three-year trend analysis where possible, so that overall performance is not skewed by short-term fluctuations. This is a useful way of reporting its performance. Benchmarking is carried out with other Scottish Fire and Rescue Services where possible to assist in monitoring performance.

Regular reports are provided to the Scrutiny Committee and the Board, with more detailed reports presented to the Corporate Management Team on a quarterly basis. Performance information is available within each station, so personnel can drill down within the system to see how they are performing in their area.

The board has a statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions as set out in the Local Government in Scotland Act 2003. Statutory guidance on Best Value requires local authorities to manage performance effectively with a view to continuous improvement. This should reflect the local context in which they operate and their own particular priorities.

The board has submitted the specified statutory performance indicators to Audit Scotland by the deadline of 31 August 2012. We have been advised that the annual Public Performance Report will be published, following approval by the Board in September 2012.

9. Audit Scotland National performance reports

As part of our audit we have completed our review of how the Board has responded to the national performance report "Scotland's public finances: addressing the challenges", assessing:

- The level of discussion of the report at Board Level;
- If the audited body completed a self assessment against the relevant findings;
- Details of any action plan flowing from this self assessment; and
- Form an opinion over the audited body response to the report findings.

Best value, use of resources and performance (continued)

10. Risk management and internal control systems

Our audit approach in relation to internal control was set out in our 'Briefing on audit matters' and our planning report circulated to you on 1 December 2012. Following the completion of our audit we will provide a separate management letter but raise matters of significance to your attention within this report.

Key controls over significant risks

In **Section 1** we discussed the identified significant audit risks. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas, summarised below.

Risk 1 – Expenditure recognition		Deloitte observations	2012
Monthly budget monitoring performed against SGHD financial targets.	On a monthly basis, all budget holders are provided with statements of expenditure against budget and must explain any variances. These explanations are collated and reviewed by the finance team and discussed at the monthly executive board meetings.	We have reviewed the monitoring reports during 2011/12 confirming that this is monitored and reviewed on a regular basis.	● (green)

Risk 2 – Property, plant and equipment valuation		Deloitte observations	2012
Revaluations have been carried out by an independent, qualified individual.	A rolling programme of external valuations has been performed by an external valuer. Journals are processed by finance staff based on information received, which is then reviewed as part of final accounts process.	We have reviewed the final accounts process and confirmed that data from external valuer has been used.	● (green)

Risk 3 – Capital accounting reserves		Deloitte observations	2012
Reserve adjustments are reviewed as part of final accounts close down process.	Reserves are adjusted at the period end for statutory adjustments and other movements such as revaluation. The general fund movements and all other movements are reviewed as part of final accounts close down process.	We have reviewed the final accounts process and confirmed that a review was undertaken. However, a material audit adjustment was required in relation to the Revaluation Reserve, which was not picked up as part of this review.	● (amber)

Best value, use of resources and performance (continued)

10. Risk management and internal control systems (continued)

Risk 4 – Recording of provisions		Deloitte observations	2012
Provisions are based on information and assumptions provided by third parties.	Provisions are for identified legal or constructive obligations. Due to the nature of the fire service, management are aware of their own constructive obligation or this is communicated by Parliament as something that will affect all Fire Services. Management discuss these issues and the provision made for them in the accounts at monthly board meetings.	We have reviewed correspondence from the Scottish Government and other relevant responses, and confirmed that this has been used to calculate the provision within the financial statements.	● (green)

Risk 5 – Revenue recognition (local authority requisitions)		Deloitte observations	2012
The funding is agreed at the start of the year by the approval of the annual budget.	The contributions from each of the three constituent authorities is agreed as part of the annual budget process. This is monitored during the year by the finance team and the executive management board, through the monthly finance reports.	We have confirmed that the contributions agreed as part of the budget have been reconciled to the actual amounts received and accounted for in the financial statements.	● (green)

Risk 6 – Management override of controls		Deloitte observations	2012
Journal entries are approved and a detailed reviewed performed of monthly accounts	Controls are in place over financial reporting and closing procedures, recording and processing of journals and segregation of duties which prevent the management override of controls. In addition a detailed review is performed each month on the results through the financial monitoring report.	We have tested a judgmental sample of journal entries posted in the year and confirmed the appropriateness of the journals posted including approval. We have also reviewed the financial monitoring reports for 2011/12 confirming that this is monitored and reviewed on a regular basis.	● (green)

● (green) No issues noted ● (yellow) Satisfactory – minor observations only ● (amber) Requires improvement ● (red) Significant improvement required

Best value, use of resources and performance (continued)

10. Risk management and internal control systems (continued)

Internal control observations

In addition to the recommendations provided in relation to significant audit risks, we also identified a number of risk management and control observations, the most significant of which are detailed below.

Capital accounting adjustments	Priority – ● (amber)
Description	As part of our testing, we identified a material audit adjustment in relation to the revaluations performed during 2011/12. The adjustments made were found not to be in accordance with the requirements of the Code. In addition, a prior period adjustment was required on the Revaluation Reserve as a result of an error in prior years.
Recommendation	Staff responsible for processing the capital accounting adjustments should be provided with additional training to ensure that they fully understand the requirements of the code. In addition, as part of the year-end close down procedures, an independent review should be undertaken of all adjustments to reserves to ensure that they have been made in accordance with the Code requirements.
Management response	We will endeavour to source additional training to staff responsible for capital accounting before the annual accounts process commences for 2012/13.
Timeframe:	March 2013
Owner:	Finance Manager

Fully written down assets	Priority – ● (amber)
Description	As part of testing of depreciation, we noted that there are several assets which are fully written down, particularly in the “Misc Equipment” category. There is a risk that this is due to assets being disposed of or scrapped, but not being reflected in the Fixed Asset Register. While this would have no effect on the net book value within the Balance Sheet, the gross book value and accumulated depreciation could be overstated.
Recommendation	Management should conduct a review of all fully written down assets to confirm whether they are still owned and in use.
Management response	We will undertake a review of fully written down assets to confirm they are still owned and in use.
Timeframe:	February 2013
Owner:	Finance Manager

Best value, use of resources and performance (continued)

10. Risk management and internal control systems (continued)

Internal control observations (continued)

Creditors ledger	Priority – ● (amber)
Description	From a review of the Creditors control account, an anomaly within the system was identified, dating back to 2005, which has caused a matching issue, resulting in "ghost" aged balances. There is a risk that true aged items are being masked by the presence of these "ghost" balances leading to non-payment of truly aged balances.
Recommendation	In accordance with advice from the software provider, a review should be undertaken of all "ghost" balances to manually un-match and then re-match these items.
Management response	We have been in consultation with our software provider and a fix as been identified for this problem. We will endeavour to apply the fix and clear the balances as soon as possible.
Timeframe:	December 2012
Owner:	Finance Manager

Payroll data	Priority – ● (amber)
Description	Aberdeenshire Council provides Grampian Fire and Rescue with payroll services through a Service Level Agreement. We noted that the retained payroll data is currently transferred between Grampian and Aberdeenshire via an e-mail attachment and is not encrypted. There is therefore a risk around security of personal data.
Recommendation	The payroll spreadsheet passed to the Aberdeenshire Council payroll department should be encrypted before being sent via e-mail.
Management response	We will consult with our ICT Department to find out how to send the payroll data securely to Aberdeenshire Council.
Timeframe:	September 2012
Owner:	Finance Manager

Best value, use of resources and performance (continued)

10. Risk management and internal control systems (continued)

Internal control observations (continued)

Impairment Review	Priority – (amber)
Description	There is currently no formally documented impairment review is in place for the properties not revalued in the current year. Informal arrangements are in place with the Service's property team to identify any significant impairments, however, there is a risk that any impairments properties not part of the current year revaluation may not be identified and fully reflected within the financial statements.
Recommendation	A formal impairment review process, including sign off by the Services property team, should be put in place to ensure that all impairments are identified and reflected within the financial statements.
Management response	The property manager will be asked to complete a formal review of impairments as part of the year end process for the 12/13 Annual Accounts.
Timeframe:	March 2013
Owner:	Finance Manager

Best value, use of resources and performance (continued)

11. National fraud initiative (NFI)

NFI brings together data from all bodies across the public sector to help identify and prevent frauds against the public sector including housing benefit and payroll frauds.

The Head of Finance has assumed responsibility for the NFI exercise, with responsibility for investigating the matches and resolving potential issues

Management chose to investigate all 93 matches rather than focussing on recommended matches or a particular type of match, To 31 July 2012 all matches had been reviewed to determine a suitable course of action and to investigate and conclude on the reason for the match.

The majority of the matches received related to retained firefighters who legitimately have other employment. The Human Resources Department is contacted to ensure the individual has formally applied for permission to work on a secondary job and received the appropriate authorisation.

We have also confirmed that the questionnaire submitted to Audit Scotland in 2011 remains valid.

As at 31 July 2012 no frauds have been identified through the 2011/12 NFI exercise.

Other

12. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below.

Confirmation	
We are independent	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Non-audit services	
No non audit services provided in the year	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non audit services or of any apparent breach of that policy. There was no non audit services fees charged in relation thereto by Deloitte in the period from 1 April 2011 to 31 March 2012.

Fees	
Audit fee agreed within indicative range	The audit fee for the year has been agreed at £31,250 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland. This fee incorporates the contribution to Audit Scotland covering your organisation's allocation of the costs of, among other things: • the programme of national performance audits as set out in the recently published forward programme; • functions that support the local audit process (e.g. technical support and co-ordination of the National Fraud Initiative); • Audit Scotland's other support costs; and • auditors' travel and subsistence expenses.

Relationships	
There are no business or personal relationships to report	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

Other (continued)

13. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland, within the Code of audit practice, explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you within our audit plan dated 30 March 2012 and sets out those audit matters of governance interest which have come to our attention during the planning of our audit to date. Our audit is not designed to identify all matters that may be relevant to the board and our final report on the audit will not necessarily be a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Board of Directors, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Chartered Accountants
Glasgow

29 August 2012

Appendices

1 - Audit adjustments

Corrected misstatements

We report all individual identified recorded audit adjustments in excess of £80,000 adjusted by management in the table below.

		Credit/ (charge) to current year CIES £'000	Increase/ (decrease) in taxpayers' equity £'000	Increase/ (decrease) in prior year taxpayers' equity £'000
Revaluation adjustment to Property, Plant and Equipment	[1]	(1,019)	(1,019)	Nil
Total		(1,019)	(1,019)	Nil

[1] An adjustment of £1.019 million was required due to an error in allocating the revalued amount of Property, Plant and Equipment between the Revaluation Reserve and the Comprehensive Income and Expenditure Statement. As this is reversed out as a statutory adjustment within the Movement in Reserves Statement, this adjustment has no impact on the reported General Fund balance.

Disclosure misstatements

We have not identified any disclosure misstatements from our work performed.

Appendices (continued)

2 - Representation letter

Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQ

Our Ref: GFRS/2012 ***Date: at time of signing***

Dear Sirs,

This representation letter is provided in connection with your audit of the annual financial statements ("the financial statements") of Grampian Joint Fire and Rescue Board for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Grampian Joint Fire and Rescue Board as of 31 March 2012 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom. We are aware that it is an offence to mislead a Board auditor.

As Responsible Financial officer and on behalf of the Board, I confirm to the best of my knowledge and belief, the following representations.

Financial statements

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which give a true and fair view, as set out in the terms of the audit engagement letter.

2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures"*

5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Board or cease operating as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Board's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We have considered the valuation of the Board's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year

8. With respect to the revaluation of properties in accordance with the Code:

    a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;

    b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;

    c) the disclosures are complete and appropriate.

    d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

9. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

Information provided

10. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects Grampian Joint Fire and Rescue Board and involves:
    (i). management;
    (ii). employees who have significant roles in internal control; or
    (iii). others where the fraud could have a material effect on the financial statements.

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

16. We are not aware of any actual or possible instances of non-compliance with laws and regulations.

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

18. No claims in connection with litigation have been or are expected to be received.

19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

20. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

21. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Responsible Financial Officer, and on behalf of the Board

Appendices (continued)

3 – Additional resources available to you

Additional information on current and future technical developments	
IASPlus	The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes: • Summaries of all IASB standards and interpretations; • Background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings; • Comparisons of IFRSs and various local GAAPs; • Updates on national accounting standards development in around 80 countries and regions throughout the world; and • Free e-learning modules for each IAS and IFRS – made available at no charge in the public interest. The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to http://www.iasplus.com/subscribe.htm.
Our range of publications	Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area. Our range also includes quarterly iGAAP newsletters providing a roundup of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.
Stay tuned online: Internet-based corporate reporting updates	The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues. Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via www.deloitte.co.uk/audit.
Audit podcasts	Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, www.deloitte.co.uk/audit. Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.