

**Highland and Islands Fire Board
Audit Working Group**

Minutes of Meeting of the Highland and Islands Fire Board Audit Working Group held in Committee Room 2, Highland Council Headquarters, Glenurquhart Road, Inverness on Friday, 30 October 2009 at 11.00 a.m.

Present:

Representing The Highland Council: Mr D MacKay
Mr R Balfour

Representing Comhairle nan Eilean Siar: Mr P Carlin

Representing Shetland Islands Council: Mr A Duncan

Representing Orkney Islands Council: Mr A Drever

Officials in attendance:

Mr T Johnston, Temporary Assistant Chief Fire Officer
Mr M Jenks, Head of Finance, HIFRS
Mrs M Grigor, Treasurer's Office
Ms D Sutherland, Principal Auditor, Highland Council Internal Audit
Ms L Lee, Clerk's Office

Also in attendance:

Ms M Bowman, Senior Audit Manager, Audit Scotland

Mr A Drever in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mr J Gray, The Highland Council.

2. Report to those Charged with Governance on the 2008/09 Audit

There had been circulated Report No Aud08/09 comprising Audit Scotland's Report to Those Charged with Governance on the 2008/09 Audit, which set out the relevant matters arising from the Audit that required reporting under the provision of the International Standard on Auditing 260 (ISO 260). The Statement of Accounts for 2008/09 had also been circulated.

The Senior Audit Manager, Audit Scotland, drew attention to a number of points contained in her report, including:

- that the Audit Plan was in line with the areas that International Standard on Auditing 260 (ISA 260) required to be covered
- that, for technical reasons arising from differing interpretations of legislation, the audit was Qualified; all Police and Fire Authorities were in the same

position and there was no cause for concern; the Scottish Government intended to change the legislation in the coming year which would address the anomaly

- that no major weaknesses had been found in the internal control systems
- that, as in previous years, although the Board's net liabilities were recorded as £46.9m, this was due to a technical accounting requirement (Financial Reporting Standard 17) which required the Board's pension liabilities to be shown in the year they were earned – in practice, pensions were paid by the Constituent Authorities as they fell due
- the adjustments which had been made to the accounts since the unaudited accounts were prepared, none of which had had a significant effect on the accounts
- that the Board was in the early stages of ensuring compliance with Single Status / Equal Pay legislation and the financial impact was as yet unknown, with the issue having been identified as a contingent liability at this stage
- that a revaluation was scheduled for 2009/10: this could impact on land and building asset values; any changes would be reflected in the following year's accounts.

The Working Group **NOTED** the report and that a report would be brought to the Board meeting on 29 January 2010 on progress with Single Status / Job Evaluation.

3. Internal Audit Tactical Plan 2009/10

There had been circulated Report No. Aud09/08 dated 21 October 2009 by the Treasurer providing Members with details of the Internal Audit Section's Tactical Plan for the financial year 2009/10.

The Principal Auditor, Highland Council Internal Audit, drew attention to the main points of the report, including that:

- the CIPFA Code of Practice for Internal Audit required that a risk-based audit plan be prepared, and that the plan should be for a period of no longer than one year
- the range of auditable activities had been reviewed and updated to take account of new/obsolete systems and risks faced by the Service, the Service's revised structure and the introduction of devolved budgets
- all auditable activities had been identified and scored against five pre-determined risk factors, with the views of Audit Scotland also sought; these had then informed the Tactical Plan
- consequently, the areas of highest risk identified in the Tactical Plan for audit during the coming year were payroll, training and asset management.

In response to questions raised, Members were advised that Audit Scotland was required to review all major systems once every three years, and worked with Highland Council's Internal Audit team to ensure this was achieved.

The Working Group **NOTED** the position.

4. Report to Members and Controller of Audit on the 2007/08 Audit

There had been circulated Report No. Aud10/09 by the Senior Audit Manager for Audit Scotland summarising Audit Scotland's findings from their 2008/09 audit of the Highland and Islands Fire Board. An action plan setting out the key risks

identified by the audit and detailing the agreed management response was appended to the report.

The Senior Audit Manager for Audit Scotland advised Members of a number of changes and updates that had been made to the draft report since the papers had been circulated, and which would be incorporated in the finalised document, including:

- rewording of paragraph 28 to clarify that stock control records also related to Home Fire Safety Checks
- that the Public Performance report had been issued
- responsible officers in the Action Plan to be identified by post, rather than name
- inclusion of paragraph reference numbers in the Action Plan
- details of the audits planned for 2009/10.

The Treasurer's representative advised that work had commenced with regard to Action Point 7, revising the Board's opening balances for April 2009.

A correction from "2009" to "2010" at Action Point 3 was noted.

The Senior Audit Manager for Audit Scotland drew attention to the main points of the report, including:

- the findings of the financial statement
- the financial performance for the year 2008/09
- that considerable additional work was anticipated following changes to International Reporting Standards, which would require changes to the presentation of the accounts with effect from 2010/11 – preparatory work had commenced; it was anticipated that Audit Scotland charges would increase slightly to reflect the additional work they would carry out in this regard
- performance indicators, asset management and Public Performance reporting.

In answer to questions raised, Members were advised that:

- rollout of the Firelink project had been delayed due to difficulties at a National level with the Airwave contract; these had now been resolved and the project was expected to be completed by the end of the current financial year; funding for the project had been earmarked within the Board's reserves; the updated reserves strategy would be brought to the next Board meeting
- areas for improvement identified by Audit Scotland in their audit of Highland Council had related largely to issues arising from staff shortages, which were now being addressed; the audit activities planned for the Fire Board had not been affected
- activities under the National Fraud Initiative in Scotland (NFI) had led to one incidence of an overpayment being identified and the sum (£1,000) had been recovered; the low number of incidents showed that the Board's financial systems were robust and that the NFI scheme was working effectively
- an error in the procedure for recording of figures relating to the performance figures for casualties, which had been corrected, related to the Board rather than to Scotland

- the discrepancy between the totals for fixed assets as indicated on the fixed asset register and the totals in the ledger had occurred at some point in the past and had not been picked up at the time. Corrections would be made – there was no net effect on the value of the assets
- professional training of the Treasurer's staff relating to IFRS was ongoing
- the Public Performance report for 2008/09 had been completed and had been submitted to the September meeting of the Board.

The Working Group **NOTED** the report and the information given.

The meeting ended at 11.45 a.m.