

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

Minutes of Meeting of the Highland and Islands Fire Board Audit Working Group held in Council Headquarters, Glenurquhart Road, Inverness on Friday, 29 August 2008 at 3.10 p.m.

Present:

Representing The Highland Council: 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 H Henny, Assistant Chief Fire Officer
Mr A MacAllister, Fire and Rescue Service (HIFRS) Head of Corporate Services
Mr N Rose, Head of Internal Audit and Risk Management
Ms D Sutherland, Acting Principal Auditor
Mr D Robertson, Treasurer's Office
Ms L Lee, Clerk's Office

Also in attendance:

Mr R Clark, Senior Audit Manager, Audit Scotland

Mr A Drever in the Chair

1. Apology for Absence

An apology for absence was intimated on behalf of Mr J Gray, the Highland Council.

2. Statement of Unaudited Accounts

There had been circulated Report No. Aud01/08 comprising the Statement of Unaudited Accounts for 2007/08.

In summarising the Accounts, the Treasurer drew attention to a number of points, including:

- the budget outcome had been within 0.05% (£8,000) of the target of £22,665,000 - no adjustment to the requisition total would therefore be required, the £8,000 saving being transferred to reserves
- due to geographical variations in where expenditure had occurred, the application of the Montgomery Formula had meant that there would be some adjustment in the requisitions charged to each Authority.

- a number of changes to accounting policies, which had altered the descriptions of capital reserves on the balance sheet
- the income and expenditure balance sheets
- that the Board was considered a going concern, notwithstanding that its total assets were less than the sum of its liabilities due to the pension scheme being non-funded; this position was acceptable in accounting terms.

The Working Group **NOTED** the Report.

3. Statement on Internal Control and Annual Audit Report 2007/08

There had been circulated Report No. Aud02/08 dated 21 August 2008 by the Head of Internal Audit and Risk Management, the Highland Council, including an assessment of the adequacy, reliability and effectiveness of the Board's system of internal financial control and providing information for its Corporate Governance Assurance Statement. The report provided an overview of the activities of the Highland Council's Internal Audit Section during 2007/08.

The Head of Internal Audit commented that, although some of the planned audits had not taken place in the final quarter of the year due to unforeseen additions to workload, the work carried out by his department throughout 2007/08 had shown that reasonable reliance could be placed on the Board's accounts and key systems. All actions recommended by his department had been implemented by the Service. He referred to the assets/liability imbalance caused by the pensions position, confirmed the acceptability of this in accounting terms and informed the Group that audits being undertaken in the current year included the system for Home Fire Safety Checks, which was nearing completion, and a procurement audit.

Members welcomed the report and **NOTED** the position.

4. Internal Audit Review

There had been circulated Report No. Aud03/08 dated 21 August 2008 by the Head of Internal Audit and Risk Management, the Highland Council, summarising the Final Reports issued since the last reported meeting of the Working Group on 30 August 2007, together with details of the work in progress. A copy of the Internal Audit Final Report on Fire Performance Management was circulated to Members only.

The Fire Performance Management report concluded that performance within the Service was well managed. The Assistant Chief Fire Officer gave an assurance that four minor action points identified in the report had been implemented.

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

5. External Auditor's Report on the Conduct of the Audit

The Senior Audit Manager, Audit Scotland gave a verbal report on the conduct of the Audit and drew attention to a number of points, including that:

- his formal report would set out matters which required reporting to the Board under ISA 260

- work on the financial statements was almost complete and it was anticipated that the audit would be unqualified – anything further arising would be brought to the attention of the Treasurer
- any significant issues arising from the review of accounting and internal control systems would be highlighted in the Report to Members and the Controller of Audit on the 2007/08 audit
- at the present time, the only issue which in his view required to be brought to the Board's attention was a £52m excess of liabilities over assets due to the position with regard to pensions. However, as the pension liability was based on long-term actuarial projections and did not require immediate funding other than through increased employers' contributions, which were already built into the Board's budgets and plans, the Board could continue to be considered as a going concern.

The Working Group **NOTED** the information given and **AGREED** to delegate the receipt of the final report to the Convener and Treasurer.

6. Monitoring of Retirements 2007/08

There had been circulated Report No. Aud4/08 dated 29 July 2008 by the Payroll and Pensions Manager of The Highland Council providing information relating to the number of retirements of Highland and Islands Fire Board members of the Local Government Pension Scheme for the year to 31 March 2008.

The Working Group **NOTED** that there had been no such retirements during the financial year 2007-08.

7. Draft Public Performance Report 2007/08

There had been circulated, for Members' preliminary consideration, draft copy of the Chief Fire Officer's Public Performance Report for 2007/08. A section of the report in full colour was also tabled, to provide an illustration of final appearance.

The Head of Corporate Services (HCS) for Highland and Islands Rescue Service (HIFRS) described the Performance Report's fit within the overall HIFRS framework, which took account of the Board's views, the Service Plan and the budgetary position. He explained that the Performance Report set out the progress the Service had made in the year measured against the targets it had set itself. To ensure that the Report was "user friendly", emphasis had been placed on the use of clear English and making the document easy to follow – a "traffic light" system had been used to illustrate progress against the various targets.

The HCS spoke to each section of the draft Performance Report, with particular reference to:

- the extensive suite of performance indicators used by HIFRS, including statutory performance indicators as required by the Scottish Government, Scottish performance indicators as used by all Fire and Rescue Services in Scotland, and local indicators; overall, whilst not every performance target had been met, excellent progress had been made - the Report provided explanations for any targets which had not been met
- the Integrated Risk Management Plan (IRMP) now forming an integral part of the Service's activities, rather than being an end in itself

- both capital and revenue budgets having come in within 1% of target, with the revenue variance only £8,000 on a budget of £22,665,000; but with concerns that, given the revenue and capital challenges faced by the Board, this would be more difficult to achieve in forthcoming years; Members would be kept informed
- the proposals for distribution of the Performance Report through the HIFRS Website, Local Authority Service Points and Libraries, and the opportunity for the public and stakeholders to make comment.

In response to points raised by Members, HIFRS Officers advised that:

- due to the flexible working arrangements possible in the Community Response Units, HIFRS was able to employ a higher than average proportion of females. A range of equality and diversity issues were being rolled out and it was hoped to increase this number still further
- the implementation date and costs for the introduction of Firelink were as yet unknown
- amendments would be made to the Report with regard to the inclusion of (i) Rousay in the list of new builds being prepared for 2008/09, and (ii) Orkney in the list of District Offices
- the Service aspired to extend Home Fire Safety Checks to all properties, but a range of funding sources would be required to achieve this
- the Service was looking to provide more detailed information on the causes of fires (e.g., whether drugs were involved) and was working with partners in this regard – this was an issue to be addressed in future
- Road Traffic Collision equipment had now been provided on all vehicles; enhancements had been provided at strategic locations as determined by the Integrated Risk Management Plan (IRMP); these vehicles could be taken to any part of the FRS area that needed them.

Members **NOTED** the report and the information given.

8. Audit Scotland: Scottish Fire and Rescue Authorities 2007-08 Progress Report

There had been circulated a copy of Audit Scotland's report, prepared for the Accounts Commission, entitled: "Scottish Fire and Rescue Authorities 2007-08 Progress Report". The Assistant Chief Fire Officer reminded Members of the background to the 2007/08 audit, summarised its findings and explained how the report impacted on HIFRS.

In general, across Scotland, good progress had been made in responding to the audit's recommendations with regard to involvement of elected Members, partnerships, Community Planning Partnerships, the focusing of resources through the IRMP process, staff development and equality and diversity issues. Progress appeared to have been slower with regard to evaluating Community Fire Safety, developing performance management, evidencing efficiency savings and public reporting arrangements.

The report also drew attention to the impact of the new Concordat arrangements, the lack of clarity over funding and the introduction of the Single Outcome Agreement. The report also highlighted a number of HIFRS activities that had been recommended as best practice, including induction for Members, governance and Community Fire Safety Advocates.

HIFRS action plans had been reviewed in light of the report and some additional items would be included in next year's Service Plan.

Following positive Member comment on improving sickness levels in HIFRS, the Assistant Chief Fire Officer informed Members of a number of measures the Service had in place which it was believed were having a positive impact in this regard, including the provision of an improved occupational health service, absence monitoring systems, and provision for staff to carry out light duties until such time as they were fully fit.

The Assistant Chief Fire Officer then drew Members' attention to the high number of audits to which it was understood the Service was to be subjected in the forthcoming 12 months, these being in addition to the ongoing activities of Internal Audit and Audit Scotland in relation to annual accounts:

- Operational Assessment Audit – currently being undertaken: this had been a substantial audit and a report was expected in the near future
- Audit Scotland – forthcoming Asset Management Audit: this would be an important and challenging audit
- Audit Scotland – forthcoming Civil Contingency Audit: HIFRS might be involved in the audit
- HMCI – forthcoming audit on Equality and Diversity issues: expected in the near future
- Chief Fire Officers Association training needs analysis – HIFRS had been required to provide a significant amount of information
- Audit Scotland Best Value Audit – timescale and scope unclear

Whilst the value of audits was not disputed, the impact on staff resources had to be recognised. The audits deflected officers from their usual tasks and it was possible that the Service might need to change its priorities to meet future audit demands. Members expressed concern at the amount of additional work being placed on the Service through the audits, and questioned whether some at least could be delayed.

The Senior Audit Manager for Audit Scotland clarified that financial audits did not place a direct burden on the Service, as these relied on scrutiny of the Highland Council financial systems. However, he undertook to ascertain to what extent Audit Scotland would be looking at HIFRS in the next 12 months with particular reference to the Civil Contingency and Best Value audits, and to write to the Treasurer and the Chief Fire Officer with this information. A report would be brought to the next Audit Working Group meeting.

Members **NOTED** the position and the information given.

The meeting ended at 4.05 p.m.