

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

Minutes of Meeting of the Highland and Islands Fire Board Audit Working Group held in The Board Room, Fire and Rescue Headquarters, Harbour Road, Inverness on Friday, 21 August 2009 at 10.30 a.m.

### **Present:**

**Representing The Highland Council:** Mr D MacKay  
Mr R Balfour

**Representing Comhairle nan Eilean Siar:** Mr I Mackenzie

**Representing Shetland Islands Council:** Mr A Duncan

**Representing Orkney Islands Council:** Mr A Drever

### **Officials in attendance:**

Mr J Donaldson, Deputy Chief Fire Officer  
Mr T Johnston, Temporary Assistant Chief Fire Officer  
Mr A MacAllister, Head of Corporate Services, Highlands and Islands Fire and Rescue Service (HIFRS)  
Mr M Jenks, Head of Finance, HIFRS  
Mr S Ross, Performance and Best Value Information Manager, HIFRS  
Mr D Robertson, Treasurer's Office  
Ms D Sutherland, Principal Auditor, Highland Council Internal Audit  
Ms L Lee, Clerk's Office

### **Also in attendance:**

Ms K Jenks, 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. Statement of Unaudited Accounts**

There had been circulated Report No Aud02/09 comprising the Statement of Unaudited Accounts for 2008/09. The Treasurer's representative drew attention to the income and expenditure accounts and explained that these had been compiled in accordance with the Statement of Recognised Practice (SORP). He explained that efforts had been made to standardise accounts across the public and private sectors, to enable comparisons to be made more easily between organisations. This resulted in the Board's accounts showing a £3.950m deficit, but when the required statutory adjustments were made, the General Fund Balance was credited by an additional £3.971m, which balanced out the deficit.

A comparison of performance against budget showed that, at the end of the financial year, it had been possible to transfer £21,000 to reserves. The Treasurer's representative also pointed out that money which had not been spent on the Firelink project, delayed due to factors outwith the Service's control, would be carried forward to future years.

Requisitions in total had come in close to target, but the application of the Montgomery formula meant that adjustments were required to the contributions made by the individual constituent authorities.

Accounting requirements under Financial Reporting Standard 17 had once again meant that the Service's full pension liability had had to be shown as a "snap shot" at a particular point in time, with no account taken of future income streams. This created a balance sheet deficit of £46m. However, as in practice pension liabilities were met by the constituent authorities as they fell due, the accounts were prepared on a going concern basis.

Members commented on the increasing complexity of the accounts, which were challenging to understand. Mr Robertson accepted this view, but explained that the increased complexity was due to changes to accounting practices, which the Treasurer was required to adhere to.

The Working Group **NOTED** the unaudited accounts.

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

There had been circulated Report No. Aud02/08 dated 12 August 2009 by the Head of Internal Audit and Risk Management, The Highland Council, which included an assessment of the adequacy, reliability and effectiveness of the Board's system of internal financial control and information on the Corporate Governance Assurance Statement. The report also provided an overview of the activities of the Highland Council's Internal Audit Section during 2008/09.

The Principal Auditor, The Highland Council, explained that this assessment was carried out on an annual basis and was informed by audit work undertaken and any weaknesses identified. It included a high level review of the system of the Service's internal control systems. General audits of the Highland Council financial systems used by the Board (such as Pecos and Oracle) had also been undertaken, and had shown these systems to be reliable. The conclusion of the audit was that reasonable assurance could be placed on the adequacy and effectiveness of the Fire Service's internal control system for the year to 31 March 2009. This was formally stated within the draft accounts.

Four specific audits had also been conducted during 2008/09: Home Fire Safety Checks, Budgetary Control, Internal Control and Procurement. The first three of these would be discussed under the following item. The audit of Procurement was being finalised and would be reported to the next meeting of the Working Group. There were no major areas of concern. Any concerns raised by the audit team had been discussed with Service management and included in action plans. Progress against the action plans was monitored and Members were informed that all issues raised in the previous year had been satisfactorily addressed.

The Audit Plan for the following year would be brought to the next meeting of the Working Group.

The Working Group **NOTED** the report and the information given, including that reports on (a) the 2008/09 audit of Procurement and (b) the Audit Plan for 2010/11 would be brought to the next meeting of the Working Group.

#### **4. Internal Audit Reviews and Progress Report**

There had been circulated Report No. Aud03/09 dated 12 August 2009 by the Head of Internal Audit and Risk Management, The Highland Council, outlining work undertaken by the Internal Audit Section, together with, separately in Booklet A, a copy of the three Final Audit Reports as referred to in item 3 above.

The Principal Auditor, The Highland Council, summarised the work undertaken.

##### **Audit of Home Fire Safety Checks (HFSC)**

The Fire (Scotland) Act 2005 had introduced a statutory duty for Fire and Rescue Services (FRS) to promote fire safety in the home. Home Fire Safety Checks (HFSCs) had been introduced and this was the first time this activity had been audited. As retained officers received payment for each Safety Check carried out, the audit had focussed only on the HFSC activities of Retained personnel, with two retained Units being visited.

HIFRS targeted its HFSC activity on properties identified as high risk. Two sources of information were used: firstly, national profiling data, which looked at housing, demography, and social factors such as drug/alcohol addiction which categorised areas as high, medium and low risk; and, secondly, the Terian system, which recorded details of the checks. The audit had highlighted that these two systems were not compatible, and it was therefore difficult to be sure that high risk properties were being targeted. This was an area where action was required.

Other actions identified included:

- introduction of a system to ensure that referrals made by other bodies, such as the National Health Service or Social Work Services, were visited
- a rationalisation of paperwork, so that the administration processes associated with HFSCs would ensure that claims sent to payroll were backed up by records of checks being carried out
- ensuring consistency in the way equipment was issued and recorded. Since the audit had been undertaken, a previous scheme for the issue of safety equipment, including deep fat fryers, electric blankets, multi-gang fused plug adaptors, etc had been concluded, with the Service now focussing on installing appropriate smoke detection in domestic properties.

At present, the statistics showed that around 32 out of 1,000 properties were receiving HFSCs. Additional safety advocates had been recruited in an attempt to ensure that the Government target of 40 properties per 1,000 would be met. Reaching the target with predominantly retained staff was difficult, as it was an additional commitment over and above their existing working hours.

The Temporary Assistant Chief Fire Officer gave an assurance that the FRS had worked closely with the Audit team. No Grade 1 (most serious) issues had been

identified, and the Service was pleased to report that all issues identified had now been addressed.

In answer to questions raised, the Temporary Assistant Chief Fire Officer explained that information as to who might be at a high risk of fire came from national data and the Service's incident records. There were good working relationships with a number of agencies, in particular services for the Deaf, but the Data Protection Act was proving a major barrier to agencies passing on information as to where there might be an increased risk of fire. The Service was working hard to overcome this perceived obstacle and steps were being taken to move towards a more formal approach to obtaining this information through the Community Planning Partnership partners. The Service needed to be made aware of the premises, rather than individuals, at risk.

The Deputy Chief Fire Officer advised that HIFRS compared well with urban areas in Scotland in delivering home fire safety, and that HFSCs were having a positive effect on fire levels.

### **Budgetary Controls**

The audit report was both positive and complimentary in its review of the Service's budgetary controls. The auditor reported that objectives (ii), (iii) and (iv), as set out in the report, had been achieved. Audit objective (i) - to ensure that the responsibilities of Officers and Members for the setting and control of revenue and capital budgets were properly defined - had however shown that there was a need to document the new budgetary controls system more fully. Budgets had recently been devolved to a wider number of officers, and there was a need to document their roles and responsibilities. This activity had been included in the action plan, with a target date of 31 March 2010.

### **Internal Control Check List**

This audit had encompassed six areas as described in the report. The audit team had worked closely with Officers, and all supporting documents and evidence required by the team had been provided. In broad terms, the Service had been found to have all the required policies and procedures in place, but some of these needed to be updated. An action plan had been agreed to address this. No major areas of concern had been identified.

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

## **5. Audit Scotland – Annual Audit Plan**

There had been circulated a summary of planned audit activity to be undertaken by Audit Scotland for 2009/10, in respect of the Highland and Islands Fire Board. Appendix A to the report comprised the Summary Assurance Plan, which identified potential risk areas for the Board for the year. The annual reports referred to in the Appendix had not yet been completed but would be prepared in the near future.

The Senior Audit Manager, Audit Scotland spoke to the report and explained that the Plan set out the work that Audit Scotland intended to carry out in the current year, and the approach which would be taken. The work was not expected to exceed budget estimates. She drew attention to the reliance placed by Audit

Scotland on the audit work undertaken by The Highland Council - working in partnership avoided duplication of activities.

With regard to future activity, she advised (a) that it was intended that Single Status and Equal Pay would be the subject of audits in the near future, and (b) that the Service would need to adopt International Financial Reporting Standards in early course, so that it would be ready to comply with the new standards when they were adopted in 2010/11.

The Working Group **NOTED** the report and the information given, and that updates would be provided to the next meeting of the Working Group.

## **6. External Auditor's Report on the Conduct of the Audit**

The Senior Audit Manager, Audit Scotland advised that the audit was essentially complete. The period of advertising the accounts was due to end at the end of the following week. A few responses to questions were awaited, and some minor adjustments to the accounts were required, but it was anticipated that the audit outcome would be unqualified. Thereafter Audit Scotland would provide the ISA 260 document as required. The audit had covered all risks facing the Board, rather than being purely a financial statement.

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

## **7. International Standard on Auditing 260**

There had been circulated Report No. Aud05/09 dated 14 August 2009 by the Treasurer on the requirements of International Standard on Auditing 260 (ISA 260).

The Treasurer's representative explained that, before the accounts could be signed off, the ISA 260 document required to be presented by Audit Scotland to "Those Charged with Governance in an Audit of Financial Statements".

Given that the document would be finalised in the near future, and that the Board would not meet until 10 September 2009, Members **AGREED** to recommend that the Board homologate the delegation of powers to the Treasurer, in consultation with the Chairman of the Audit Working Group, to deal with the requirements of International Standard on Auditing 260.

## **8. Monitoring of Retirements**

There had been circulated and was **NOTED** Report No. Aud06/09 dated 10 August 2009 by the Payroll and Pensions Manager, The Highland Council, advising Members of the number of retirements of Highland and Islands Fire Board members of the Local Government Pension Scheme for the year to 31 March 2009.

## **9. Draft Public Performance Report 2008/09**

There had been circulated Report No Aud07/09 dated August 09 by the Fire and Rescue Service Head of Corporate Services, together with draft copy of the Chief Fire Officer's Public Performance Report for 2008/09. In accordance with the Working Group's remit, Members had been asked to give preliminary consideration to the Public Performance Report.

The Deputy Chief Fire Officer reported that, in general terms, performance against planned activities had been very successful. One area which had not met targets however, was the introduction of the Firelink radio system, which was only now being rolled out. The delay had been due to factors outwith the Service's control.

A conscious effort had been made to present the report in a way that was easy to understand. Overall, performance compared favourably with other Fire and Rescue Services. Numbers of house fires had reduced, but there had been an increase in fatalities – this suggested that there remained a number of at-risk people that HIFRS was not reaching, and the Service was working to address this.

The Performance and Best Value Information Manager gave an assurance that, whilst HIFRS performed well in comparison with other Fire and Rescue Services, the Service was focussed on continual improvement – there would be no relaxation of effort. The Service sought to understand the causes and effects of the initiatives it undertook, to see if anything could be learned, for example as to what contributed to the high number of fatalities. With regard to Community Fire Safety activities, he also advised that new systems had been produced to marry the national information systems with the Terian system, so that these were now compatible.

In answer to questions raised, Members were provided with information on (a) sickness absence management, including occupational health support available to staff, (b) actions being taken to reduce the number of false alarms, (c) a new UK incident recording system to be introduced in April 2010, which would provide statistics as to the number of incidents that were drug or alcohol related, and (d) Fire Service work with Local Authority and/or Housing Providers to install sprinklers in addition to smoke detectors, where there was a known serious risk and repeated incidents. Community Safety advocates had been very successful in this area, as they were known to the local community.

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

The meeting ended at 11.35 a.m.