

TAYSIDE FIRE AND RESCUE BOARD**Performance Monitoring Sub-Committee – 17 January 2011****INTERNAL AUDIT YEAR-END REPORT FOR 2009/10****Report by the Chief Internal Auditor****ABSTRACT**

This report presents the Chief Internal Auditor's year-end report and audit opinion for 2009/10, as set out in Section 6.

1. RECOMMENDATION

- 1.1 It is recommended that the Performance Monitoring Sub-Committee notes the contents of this report.

2. BACKGROUND

- 2.1 Internal Audit is an independent assurance function. It contributes to the achievement of Tayside Fire and Rescue Board's objectives by appraising and reviewing:
- (i) The completeness, reliability and integrity of information, both financial and operational;
 - (ii) The compliance with relevant policies, plans, procedures, laws and regulations;
 - (iii) The safeguarding of assets of all types;
 - (iv) The economy, efficiency, effectiveness and equity with which resources are employed;
 - (v) The conduct of operations and the achievement of planned objectives;
 - (vi) The quality and reliability of the full range of internal controls, including risk management arrangements put in place by management in order to ensure the achievement of (i) to (v) above.
- 2.2 Tayside Fire and Rescue Board's internal controls include the full range of policies, procedures and practices intended to ensure the proper conduct of its operations. They include organisational structures, job descriptions, authorisation limits, management supervision, risk management processes, reports and decisions.
- 2.3 It is the responsibility of management to devise, implement and maintain appropriate controls over the activities for which they are responsible. The role of internal audit is to provide an opinion as to the effectiveness of the controls that have been put in place by management to ensure that the organisation achieves its objectives.
- 2.4 This report presents the Chief Internal Auditor's opinion on Tayside Fire and Rescue Board's control environment in 2009/10 and summarises the internal audit work carried out in that year.

3. INTERNAL AUDIT'S WORK IN 2009/10

- 3.1 This section presents an overview of Internal Audit's work in 2009/10.
- 3.2 Internal Audit has been subject to a period of significant change within the year. There has been a higher than anticipated level of absence due to sickness, equating to one full time equivalent member of staff. There has been a period of uncertainty over the leadership of the Internal Audit function which was resolved in June 2010 with the appointment of a new Chief Internal Auditor.
- 3.3 Internal Audit has not completed the original plan as agreed in line with the 2007/10 Service Level Agreement. This has been a result of the resourcing issues highlighted above. At the time of preparing this report, final Internal Audit reports have been issued for 3 planned assignments, representing 44% of the anticipated reports arising from Internal Audit work connected with the plan.
- 3.4 Internal audit plans have historically covered the period June to May. However, due to a number of resourcing issues, work on the 2009/10 internal audit plan continued over the period to November 2010, and work on one assignments is continuing. The results reported here relate to all audit reports delivered against the revised 2009/10 plan.
- 3.5 Appendix A details assignments included within the Service Level Agreement for 2007/08 to 2009/10. The Internal Audit Update and Follow Up Report, to be considered separately at this Sub-Committee, details proposals for the remainder of assignments which have not commenced.
- 3.6 Issued reports for 2009/10 contain a total of 18 points for action which are rated as follows:

Critical Risk	None
High Risk	4 Action Points
Medium Risk	9 Action Points
Low Risk	5 Action Points

- 3.7 This represents a decrease in the number of actions arising from audits undertaken during the year from 32 in 2008/09.

Areas for significant improvements in internal control

- 3.8 Audit reports assign ratings to the 'control objectives' under review in each assignment; these give a summarised impression of the assessed strength of internal controls in the subject areas audited. These ratings were intended to provide a guide to management in setting priorities for action and to inform the Performance Monitoring Sub-Committee in their scrutiny role. In 2008/09, a total of 4 control objectives were reported on. Of these, 1 was reported as 'moderately strong' and 3 were reported as 'moderate'. There were no areas receiving a rating of either 'weak' or 'strong'.

- 3.9 It is emphasised that the opinions expressed above reflect Internal Audit's opinions at the time of the audits and that each of these areas is the subject of an action plan agreed with management.
- 3.10 The Appendix summarises progress against the agreed three-year internal audit plan for 2007/08 to 2009/10.

4. FOLLOW-UP OF ACTION PLANS

- 4.1 The responsibility for considering (and accepting or rejecting) reported action points rests with management. Final audit reports record the agreed action plan, including the individuals responsible for the delivery of the plan and the planned timescales for completion. The audit process is of value where effective action is taken to remedy deficiencies in internal control where these are identified. Hence, a significant part of Internal Audit's role is the following-up of progress with these action plans in line with the Service Level Agreement.
- 4.2 Follow-up reports are produced on an 'exception' basis, i.e. where agreed actions appear not to have been completed or where there is insufficient information on progress.
- 4.3 In the Chief Internal Auditor's opinion, the procedures in place provide a sound basis for ensuring that progress against the agreed plans is exposed to the proper level of scrutiny.

5. ANTI-FRAUD ACTIVITY

- 5.1 The responsibility for preventing and detecting fraud and corruption rests with management; it is the responsibility of management to take into account the risks arising from fraud and corruption and to devise and maintain the appropriate internal controls to provide a reasonable level of assurance that the Board's resources are being protected from loss.
- 5.2 Internal Audit may carry out investigation or other anti-fraud work at the request of management. No such work has been undertaken during 2009/10.

6. AUDIT OPINION

- 6.1 In the Chief Internal Auditor's opinion, on the basis of the audit work undertaken and an in depth review of Tayside Fire & Rescue's Statement of Internal Financial Control, reasonable reliance can be placed on the Board's system of internal control.**

7. CONSULTATION

- 7.1 There has been no consultation in the preparation of this report.

8. RESOURCE IMPLICATIONS

- 8.1 There are no resource implications arising from this report.

9. EQUALITIES ASSESSMENT

- 9.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 9.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) and was assessed as not relevant for the purposes of EqIA.

10. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 10.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 10.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

11. CONCLUSION

- 11.1 This report presents the Chief Internal Auditor's year-end report and audit opinion for 2009/10.

J CLARK
Chief Internal Auditor

Note: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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INTERNAL AUDIT PLAN, 2007/08 TO 2009/10

Subject	Risk	Year			Comments
		2007/08	2008/09	2009/10	
Implementation of Communications Systems	Critical			√	Proposed for removal from 2009/10 plan
Payroll	High		√		Completed
Pensions	High		√		Completed
Creditors	High	√			Completed
Recruitment, Selection and Retention	High			√	Completed
IST	Medium	√			Completed in 2008/09
Insurance	Medium		√		Completed
Health & Safety	Medium	√			Completed
Rank to Role	Medium		√		Cancelled
Capital Projects	Medium			√	Completed
Regionalisation	Medium			√	Proposed for removal from 2009/10 plan
Procurement / Purchasing	Medium	√			Completed
General Ledger Control	Medium		√		Completed in 2007/08
Asset Register / Inventory	Medium		√		In progress
Training	Medium			√	Completed
Financial Reserves	Medium			√	Proposed for removal from 2009/10 plan
Partnerships	Medium			√	Proposed for removal from 2009/10 plan
Income	Medium	√			Completed
Single Status	Low		√		Completed
Performance Indicators	Low	√			Completed

