

Lothian and Borders Fire Board

External Audit Planning Memorandum

Scrutiny Committee

5 September 2003

1 Purpose of report

To review the Planning Memorandum received from the external auditor.

2 Summary

2.1 The 2002/2003 Planning Memorandum lays out the main areas of work to be covered by the external auditors relating to the year to 31 March 2003 and how they intend to resource this work.

3 Main Report

3.1 The Scrutiny Committee has agreed that its remit will include the review of all matters relating to external audit.

3.2 The External Audit Planning Memorandum received from the external auditor is attached in Appendix 1.

4 Recommendation

4.1 The Scrutiny Committee notes the contents of the Planning Memorandum

  
DONALD MCGOUGAN  
21/08/2003 Treasurer

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Appendices	Appendix 1: 2002/2003 Audit Planning Memorandum
Contact/Tel	Ian Stirton, Chief Internal Auditor Tel; 0131 469 3194
Background Papers	None

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**LOTHIAN & BORDERS FIRE  
BOARD**

**AUDIT PLANNING  
MEMORANDUM  
2002/03 AUDIT**

**23 April 2003**

<b>Section 1</b>	<b>Page</b>
<b>Background</b>	<b>1</b>
<ul style="list-style-type: none"><li>• <i>Accounts Commission &amp; Audit Scotland</i></li><li>• <i>Audit engagement</i></li><li>• <i>Facts and figures</i></li><li>• <i>Functions of the Board</i></li><li>• <i>Organisation and committee structure</i></li><li>• <i>Main financial systems</i></li></ul>	
<b>Section 2</b>	
<b>Audit resources</b>	<b>4</b>
<b>Section 3</b>	
<b>Audit objectives and testing</b>	<b>6</b>
<ul style="list-style-type: none"><li>• <i>Statutory duties</i></li><li>• <i>Audit approach</i></li><li>• <i>Corporate governance arrangements</i></li><li>• <i>Systems of internal control</i></li><li>• <i>Internal audit</i></li><li>• <i>Performance audit</i></li><li>• <i>Legality</i></li><li>• <i>Financial statements</i></li><li>• <i>Grant claims</i></li><li>• <i>Nature of audit testing</i></li></ul>	
<b>Section 4</b>	
<b>Audit reporting</b>	<b>12</b>
<b>Section 5</b>	
<b>Audit plans</b>	<b>13</b>
<ul style="list-style-type: none"><li>• <i>Planning considerations</i></li><li>• <i>Long term plan</i></li><li>• <i>2002/03 annual audit plan</i></li></ul>	
<b>Appendix</b>	
<b>Fee proposal</b>	<b>17</b>

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## Introduction

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### Accounts Commission and Audit Scotland

- 1.1 The Accounts Commission for Scotland is a statutory, independent body which is responsible for appointing auditors to all of Scotland's local authorities (and associated joint boards) and determining their terms of appointment. The Commission approves a Code of Audit Practice which sets out the framework within which auditors are required to carry out their functions.
- 1.2 Audit Scotland is a statutory body that provides services to the Accounts Commission, provides guidance and support to auditors on technical matters and monitors their performance through a quality control process.
- 1.3 The Accounts Commission appoints auditors to local authorities for a fixed period of time from either private firms or Audit Scotland staff (Audit Services Directorate). Once appointed, auditors act independently in carrying out their responsibilities and in the exercise of their professional judgement.

### Audit engagement

- 1.4 The Accounts Commission has appointed Linda Porter (Senior Audit Manager, Audit Services – East Region) as the Board's external auditor for the period 2001/02 to 2005/06.
- 1.5 The respective responsibilities of the Board and the Senior Audit Manager are outlined in a *Statement of Responsibilities of Auditors and of Audited Bodies* which was approved by the Accounts Commission in July 2001 following consultation with a wide range of stakeholders.
- 1.6 An audited body's responsibilities are summarised in the Statement as to be:

*"... responsible for the conduct of public business and the handling of public money and, as such, is fully accountable for the conduct of that business in accordance with the law and proper standards, ensuring that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Given this accountability to the public for the conduct of public business and stewardship of funds under its control, the audited body therefore has a responsibility to establish proper corporate governance arrangements, manage its affairs to secure economic, efficient and effective use of resources, maintain accounting records, prepare financial statements, safeguard assets and take reasonable steps for the prevention and detection of fraud and other irregularities".*

- 1.7 The auditor's responsibilities are summarised as to:

*"... form an independent and objective view of the discharge by the audited body of its stewardship responsibilities. In so doing, the auditor may wish to obtain representations from management, both orally and in writing, on important matters".*

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## Facts and figures

- 1.8 Lothian & Borders Fire Board manages one of Scotland's 8 Fire Brigades. The Brigade serves a population of 890,000 and covers an area of over 2,500 square miles.
- 1.9 The Brigade employs approximately 1,300 staff. The Board comprises 18 democratically elected councillors from each of the constituent authorities of City of Edinburgh Council, East Lothian Council, Midlothian Council, Scottish Borders Council and West Lothian Council. The Brigade's main administrative premises are at Lauriston Place, Edinburgh.
- 1.10 Net revenue expenditure to be met from constituent council requisitions for the year ending 31 March 2002 totalled £34.591million.
- 1.11 Capital expenditure in 2001/02 totalled £3.116 million and was funded by a combination of capital receipts of £0.026 million and borrowing of £3.090 million.
- 1.12 Further information on the Board's income and expenditure is contained in the audited Financial Report and Accounts 2001/02 and in the Board's budget for 2002/03.

## Functions of the Board

- 1.13 The 2003 Service Profile outlines the Board's vision, purpose and values:

<b>Vision</b>	<i>To excel at providing a high-quality service that contributes to a safer community.</i>
<b>Purpose</b>	<i>To reduce the impact upon the community and the environment of fires and other emergencies and, in doing so, improve community safety and engender a sense of well being within the population living within its Boundary by:</i> <ul style="list-style-type: none"><li>• <i>the provision of an efficient and effective response to fires and other emergencies;</i></li><li>• <i>reducing the incidence of fire by the provision of an efficient and effective fire safety education, advice and legal enforcement service.</i></li></ul>
<b>Values</b>	<ul style="list-style-type: none"><li>• <i>ensuring the health and safety of all Board personnel, and of those who are affected by the service provided by the Board;</i></li><li>• <i>achieving Best Value in service provision;</i></li><li>• <i>maintaining a policy of equal opportunity.</i></li></ul>

## Organisation and committee structure

- 1.14 The overall governance of the Board is the responsibility of elected members who are responsible for setting policy. Each public sector body is accountable for the way in which it discharges its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests with both members and officers of a public sector body.

- 1.15 Lothian & Borders Fire Board is comprised of 18 elected members, 9 of whom are appointed from City of Edinburgh Council, 2 from East Lothian Council, 2 from Midlothian Council, 2 from Scottish Borders Council and 3 from West Lothian Council. The Board is currently establishing a Committee, to be known as the Lothian and Borders Fire Board Scrutiny Committee, which will discharge the Board's audit committee functions as well as scrutinising the running of the Brigade. Mr Kenneth Harrold, City of Edinburgh Council, is the Convenor of the Board.
- 1.16 The conduct of the Board's proceedings is regulated by Standing Orders which also include a scheme of delegation to officers and financial regulations to ensure the proper administration of the Brigade's affairs.
- 1.17 In 2002/03 the Board consists of the following officers:

<i>Firemaster</i>	<i>Brian Allaway</i>
<i>Clerk to the Board</i>	<i>T.N.Aitchison,</i>
<i>Treasurer</i>	<i>Donald McGougan,</i>

### **Main financial systems**

- 1.18 The Brigade's main financial systems are:

- budgetary control
- payroll
- capital income and expenditure
- debtors accounts
- stock
- main accounting system
- payment of creditors
- fixed asset control
- cash income and banking

- 1.19 The Brigade participates in the local government pension scheme which is administered by City of Edinburgh Council and will be reviewed by the appointed auditors of that body.

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## Audit resources

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- 2.1 A letter from Audit Scotland's Director of Audit Strategy, dated 6 December 2002, specifies the indicative fee for the audit as £15,000. This is a provisional fee which may be increased or decreased within a range of 10% with the agreement of the Treasurer/Firemaster (range £13,500 to £16,500).
- 2.2 In determining the agreed fee, the following factors have been considered:
- the standard of the Board's corporate governance arrangements, the control environment and the experience of senior management;
  - the results of the Board's risk assessment procedures covering corporate and activity level objectives;
  - changes in the framework of authorities (e.g. governing legislation);
  - the standard of internal controls in main financial systems and whether audit recommendations are promptly acted upon;
  - the standard of internal audit and the reliance that can be placed on its work;
  - the extent to which comprehensive schedules and working papers are to be provided in support of the financial statements.
- 2.3 The fee agreed with the Treasurer for 2002/03 is £15,300.
- 2.4 In agreeing the fee for the audit, the co-operation of Internal Audit has been secured to prevent duplication of effort and to maximise the overall internal and external audit resource. Areas where we plan to place specific reliance on the work of Internal Audit are outlined at Section 5.
- 2.5 In the event that additional work is required that was not provided for in the audit plan (for example, where working papers do not meet the required standard or Internal Audit fail to complete work in areas where it was agreed reliance would be placed on their work) the agreed fee may require to be revised, within the specified fee range, during the year. All amendments will be notified to and agreed with the Brigade. The prior agreement of Audit Scotland is required for any adjustment outwith the specified 10% flexibility.
- 2.6 In some cases, additional work may be necessary which would require the deployment of staff with particular experience or special skills. In the event of such additional work being required, a separate fee based on grade related rates (specified in the letter of appointment) will be negotiated with the Firemaster.
- 2.7 A key feature of the public sector audit regime is that auditors are paid by Audit Scotland for the work undertaken, not the audited body. Audit Scotland, in turn, levies charges on the audited bodies to cover the auditor's remuneration **and** an appropriate share of Audit Scotland's other costs. Audit Scotland have levied a 'central charge' of £5,300 on Lothian & Borders Fire Board for 2002/03 which is 'fixed' and does not vary in accordance with the direct element. The charge covers a range of Audit Scotland central costs and administrative overheads, including

auditors' travel and subsistence costs which are pooled to ensure that no organisation is disadvantaged due to the location of their appointed auditors.

- 2.8 In total, therefore, the Board will be charged £20,600 by Audit Scotland for the 2002/03 audit.
- 2.9 It is a condition of engagement that a combined total of not less than 15% of total input on all aspects of the audit must be undertaken by audit staff of Audit Manager grade and above. The input by other professionally qualified and specialist staff is at the discretion of each certifying auditor. We intend that over 60% of the audit will be undertaken by professionally qualified or specialist staff.
- 2.10 The core audit team will consist of:
- |                      |   |               |
|----------------------|---|---------------|
| Senior Audit Manager | : | Linda Porter  |
| Audit Senior         | : | Peter Moore   |
| Assistant Auditors   | : | Leslie Farrer |
- 2.11 Systems audit will largely be undertaken during the period March to June 2003. From July 2003, we will concentrate on the financial statements in order to meet Audit Scotland's prescribed sign off date of 30 September.

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## Audit objectives and testing

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- 3.1 External audit is an activity statutorily superimposed on an audited body's accountability framework in order to provide an independent and objective check on the stewardship function. Its overall purpose is to undertake an independent appraisal of the discharge by management of its stewardship responsibilities to enable an assurance to be given to the public that those responsibilities have been reasonably discharged.
- 3.2 In general, an external auditor's responsibilities are to:
- provide an opinion on (to the extent required by the relevant authorities) the audited body's financial statements;
  - review and report on, to the extent required by relevant legislation and the Code of Audit Practice, the audited body's corporate governance arrangements as they relate to:
    - ◆ the system of internal control
    - ◆ the prevention and detection of fraud and irregularity
    - ◆ standards of conduct, and prevention and detection of corruption
    - ◆ its financial position
  - review and report on, to the extent required by relevant legislation and the Code of Audit Practice, aspects of an audited body's arrangements to manage its performance and secure economy, efficiency and effectiveness in the use of resources.
- 3.3 In many respects, the duties and responsibilities placed on public sector auditors are wider than those of their private sector counterparts, stemming from the acknowledged public interest in both the propriety and the economic, efficient and effective use of public funds. Key features of the public sector audit regime in Scotland include:
- a statutory basis for the audit;
  - the independence of public sector auditors from the organisation being audited;
  - the wider scope of the audit as outlined in the Code of Audit Practice;
  - the ability to report in public and to elected representatives.

## Statutory duties

- 3.4 The auditor has certain statutory responsibilities which are contained principally within the local Government (Scotland) Act 1973. These responsibilities include:
- satisfying herself that the accounts have been prepared in accordance with statutory requirements;
  - satisfying herself that proper accounting practices have been observed in the preparation of the accounts;
  - satisfying herself that the Board has made proper arrangements for securing value for money in the use of resources;
  - satisfying herself that the Board has made adequate arrangements for collecting, recording and publishing prescribed performance data;
  - hearing any interested person's objection to the accounts;
  - placing a certificate on the accounts to the effect that the audit has been conducted in accordance with Part VII of the 1973 Act.

## Audit approach

- 3.5 Our audit approach complies in all material respects with the Code of Audit Practice and the Audit Services Directorate's Audit Manual and will seek to gain assurance that:
- the system of recording and processing transactions provides an adequate basis for the preparation of financial statements and the effective management of the brigade's assets and interests;
  - there are adequate corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability;
  - the systems of internal control provide an adequate means of preventing or detecting material mis-statement, error, fraud or corruption;
  - transactions have been processed and recorded in accordance with statutory and management requirements;
  - the financial statements are fairly presented;
  - the Board has made proper arrangements for securing value for money in its use of resources;
  - the Board has properly considered and acted upon all matters of legality.

### Corporate governance arrangements

- 3.6 Our review of the Board's corporate governance arrangements will include completion of a standard checklist covering issues relating to systems of internal control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Brigade's financial position.
- 3.7 Our work on corporate governance will also include a review of the Brigade's risk assessment and management procedures. In addition, the organisation's risk assessment will be used to inform our own audit plan.

### Systems of internal control

- 3.8 Reviews of systems of internal control have a dual purpose in that they contribute to both:
- the assessment of the Board's corporate governance arrangements in respect of systems of internal control and arrangements for the prevention and detection of fraud and corruption;
  - the process of arriving at an appropriate audit opinion on the financial statements by establishing the extent to which the information provided by the financial systems can be relied upon.
- 3.9 Due to resource constraints, it is not possible (or cost effective) to review all main financial systems every year. We would, however, intend to review all main financial systems over the term of a five year appointment.
- 3.10 The final decision on work to be undertaken in any one year will depend on factors such as materiality, risk and the results of previous audit work undertaken. A standard Audit Services risk assessment model is used and particular risk factors are classed as high, medium or low risk for each financial system. The risk factors considered are:

<b>Materiality</b>	Impact of control weaknesses on the financial statements.
<b>Control Environment</b>	Previous frauds in the system. Lack of past reviews by either internal or external audit. Absence of controls. Staff factors – changes in management and operations, experience and competence of staff, training, sickness levels, turnover. ICT system factors – new systems, level of outsourcing, central or devolved, availability of audit trails, adequacy of system output. Security factors – disaster recovery, back up procedures, security access, security policy, third party access issues.
<b>Management concerns</b>	Management reliance on system output. Problem areas. Follow-up – progress in implementing previous recommendations, rectifying control weaknesses in areas where frauds have been

identified.
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### **Internal audit**

- 3.11 The Board's Internal Audit service is provided by the City of Edinburgh Council's in-house team, headed by the Principal Auditor and with five members of audit staff. Internal Audit's reports will be presented to the new Fire Scrutiny Committee from July onwards.
- 3.12 The main duty of internal audit is to provide an assurance to management on the accounting and internal control systems within the organisation. The procedures used to provide that assurance are broadly similar to those used by external audit in a number of areas of our work. As a result, we attempt to place as much reliance as possible on internal audit both to reduce our input and avoid unnecessary duplication of audit effort.
- 3.13 If we are to place reliance on work done by internal audit to review main financial systems or other areas of key external audit activity we require to:
- be satisfied with the adequacy of internal audit in terms of quality of work, coverage, independence and effectiveness;
  - undertake a detailed review of the work done on the particular system on which reliance on internal audit is to be placed.
- 3.14 A copy of our Audit Manual and standard programmes for the review of financial systems will be supplied to Internal Audit.

### **Performance audit**

- 3.15 Our review of the Board's arrangements to secure value for money from the use of resources includes four main activities:
- appraisal of the Board's arrangements to secure best value through an integrated inspection/audit process developed in conjunction with HMIFS;
  - undertaking local fieldwork on topics which form part of Audit Scotland's Performance Audit Directorate's centrally directed studies programme;
  - local projects to review value for money which are developed in agreement with management;
  - reviewing arrangements for collecting, recording and publishing directed performance information.

### **Legality**

- 3.16 We are required to keep under review the legality of significant transaction and events and have an awareness of the key requirements of relevant statutory provisions. The legality of items of account are considered by the:

- 
- inclusion of all significant legal requirements in audit programmes and checklists used in the conduct of the audit;
  - deployment of staff who have substantial experience of the public sector's legal framework;
  - assessment of the arrangements the audited body has in place to ensure compliance with, and obtain advice on, legal matters;
  - consideration of the impact of new legislation and guidance when planning the audit;
  - review of minutes, making further enquiries where necessary;
  - provision of written confirmation by the audited body that staff are not aware of any possible non-compliance with the law or regulations which could have a material effect on the organisation's operations.

3.17 We are also required to submit annual fraud returns to Audit Scotland's Directorate of Audit Strategy and will liaise with the brigade to ensure that appropriate systems are in place to supply us with the required information.

### **Financial statements**

- 3.18 Management are responsible for ensuring the preparation of financial statements by 30 June which present fairly the financial position of the Board at the year end and its income and expenditure for the year. Thereafter, the appointed auditor is required to provide an independent opinion on the financial statements by 30 September.
- 3.19 Standard Audit Services' final accounts programmes will be used during the audit, tailored to meet the particular needs of the Board. A summary list of the working papers and supporting schedules needed to enable the audit of the financial statements to be completed will be supplied to the Board. Audit work on the financial statements will not commence until the financial statements, and supporting working papers, have been completed.

### **Grant claims**

- 3.20 Each year we require to certify the Section 94 grant claim made by the Board to the Scottish Executive. The claim has a prescribed date by which the unaudited and audited versions should be submitted.

### **Nature of audit testing**

- 3.21 The most efficient and effective method of obtaining the assurances outlined at paragraph 3.2 is a risk based audit approach which takes account of the existence and efficacy of key internal controls. As a result, reviews of financial systems will be controls focused and involve:
- identification of control objectives and the controls expected to achieve those objectives;
  - identification and assessment of the design of actual controls in place;

- 
- testing of the operation of those controls and substantive testing of the underlying transactions if controls are absent or ineffective;
  
  - recording and reporting on the overall standard of internal control in the system.
- 3.22 To assist in the process we will utilise standard Audit Services' documentation outlining control objectives, expected controls and suggested tests for a range of main financial systems.
- 3.23 As highlighted at paragraph 3.13, we will attempt to place as much reliance as possible on internal audit both to reduce our input and avoid unnecessary duplication of audit effort.
- 3.24 Provided internal control in a particular system is found to be operating satisfactorily, assurance will be taken for the audit of the financial statements. Substantive procedures at the final accounts stage can then be reduced and substantive assurance will be gained from analytical procedures. Analytical procedures systematically analyse and compare related figures, trends, ratios and other data with the aim of providing evidence to support the audit opinion.
- 3.25 Where possible, the use of CAATs (computer assisted audit techniques) will be incorporated into audit tests to allow a more focused sample to be selected. Examples of CAATs may include overtime/bonus payments over a prescribed level or creditors invoices over a certain level.

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## Audit reporting

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- 4.1 Reports from the auditor are the primary means by which the results of audit activity are brought to the attention of senior management, elected members and other stakeholders (including the Accounts Commission, the Scottish Parliament and the public).
- 4.2 The main products from the audit will be:
- the auditor's report on the financial statements to be supplied by 30 September;
  - the annual Report to Members;
  - Reports to Management.
- 4.3 The annual Report to Members is addressed to both Members and the Controller of Audit and will include issues concerning the financial accounts, significant deficiencies in internal control arrangements and findings from value for money work which are considered sufficiently important to be brought to the notice of Members and the Controller. The report also provides a summary of the audit work undertaken during the year.
- 4.4 The Report to Members will include an action plan of substantive issues on which management action is required. The action plan will summarise the remedial action agreed with management or the reasons why agreement has not been reached. Implementation of the action plan will be monitored and progress reports submitted to Audit Scotland's Directorate of Audit Review.
- 4.5 Best practice requires the Report to Members to be submitted to the Board and the Controller of Audit with the certified copy of the financial statements.
- 4.6 Reports to Management will be prepared and submitted within one month of the completion of each substantial area of audit work. Reports will include an action plan which summarises audit recommendations, details management's comments, outlines the officer responsible for implementation of the recommendation and the timescale for implementation. Each action plan recommendation will be rated as being of high, medium or low priority to the system under review. Action plans will be followed up in subsequent audit years to ensure that agreed recommendations have been implemented or satisfactorily progressed.
- 4.7 Draft Reports to Management will be discussed with relevant officers to confirm factual accuracy, and obtain a response to the action plan, prior to formal submission. We request that the Board ensure that this process is completed within one month of the submission of the draft.
- 4.8 Final versions of Reports to Management will be submitted to the:
- Treasurer
  - Internal Auditor
  - Director of Corporate Services
  - Directorate of Audit Review
- 4.9 All formal reports will also be made available to Board Members for their consideration as well as to the Scrutiny Committee when this is established.

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## Audit plans

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- 5.1 In summary, planning is the process of identifying what should be done, by whom, and in what timescale and should assist in ensuring that audit effort is appropriately resourced, focused, prioritised, directed and controlled.

### Planning considerations

- 5.2 When planning the audit the following matters are taken into account:

- statutory and professional requirements;
- factors which are external to the audited body;
- local considerations.

### *Statutory and professional requirements*

- 5.3 One of the main purposes of the audit plan is to enable us to discharge our statutory duties in accordance with best professional practice. The plan is, therefore, prepared in accordance with:

- all relevant legislation;
- the Code of Audit Practice;
- the letter of engagement.

- 5.4 We also take account of guidance issued by Audit Scotland, such as:

- guidance issued by the Director of Audit Strategy in, for example, the annual letter requesting submission of the audit plan;
- Technical Bulletins and other guidance issued by our Technical Services Unit. The Board is required to include a statement of internal financial control in the financial statements for the first time in 2002/03;
- information from the Performance Audit Division on local contributions to national value for money studies. Fire authorities are subject to a national value for money study in 2002/03 on early retirement.

### *External environment*

- 5.5 Prior to the preparation of the plan, audit staff familiarise themselves with the external environment in which the Board operates:

- relationships with other organisations, including funding relationships;

- parliamentary and public interest, and the political environment;
- the legal and regulatory framework. Particular attention is paid to the impact of new legislation.

### **Local considerations**

5.6 The consideration of local matters involves audit staff gaining an understanding of the Board to assist in the identification of events, transactions and practices which could have a significant effect on the audit process. This is achieved through:

- an overall review of organisational structure, including recent or proposed changes in key personnel, systems and organisation;
- an overview of corporate governance arrangements, including the control environment and risk assessment processes;
- analytical review to establish trends and compare the Board to other authorities;
- an overview of the Internal Audit function to enable a decision to be taken as to how much reliance can be placed on their work;
- an assessment of information and communications technology (ICT) arrangements to form an early opinion on the areas of audit concern;
- discussing the concerns and expectations of management.

5.7 All aspects of the planning process are intended to assist in the identification of areas of audit risk.

### **Long term plan**

5.9 We prepare a long term plan from which our annual plan is drawn. The long term plan has been developed using a risk based approach and has been influenced by factors such as new systems to be introduced. This plan, however, is not fixed and will be reassessed each year in the light of actual audit work undertaken, major new developments and changing priorities.

### **2002/03 annual audit plan**

#### **Review of systems**

5.10 Follow-up audits will be undertaken to ensure that recommendations made in 2001/02 have been implemented. Each follow-up review will involve meetings with staff to assess progress against the agreed action plans and collation/testing of supporting evidence.

- 5.11 In this, the second year of our audit appointment, we shall conduct an overview of the Board's corporate governance arrangements. Our overview will include completion of standard checklists and programmes which cover structures and processes for decision making; risk management and systems of internal control; processes for the prevention and detection of fraud and irregularities; standards of conduct, integrity and openness; reporting arrangements; and the Board's financial position.
- 5.12 A checklist will also be completed as part of our assessment of the Board's arrangements for the prevention and detection of fraud. This checklist covers the existence of policies and procedures for preventing and investigating fraud and corruption; the history of fraud and corruption within the Board; checks undertaken prior to the recruitment of staff; and coverage by internal audit of systems with a high fraud and corruption risk.
- 5.13 Given the size of the Board audit, we intend that reliance will be placed on the work of Internal Audit to evaluate the key systems in place within the organisation and, to the extent that this evaluation allows, place reliance on the internal controls within those systems. These systems are outlined in paragraph 5.14 below.

#### ***Reliance on Internal Audit***

- 5.14 In addition to an annual overview of Internal Audit, we plan to place reliance in 2002/03 on work undertaken by Internal Audit as follows:
- stores – stock control (follow-up);
  - payroll.

#### ***Performance Audit***

- 5.12 Throughout the term of the five year appointment the Performance Audit Division of Audit Scotland will, from time to time, require auditors to undertake work on topics which form part of Audit Scotland's centrally directed value for money studies programme. In 2002/03 we are required to undertake local fieldwork in the following centrally directed study:

#### ***Early retirement***

- 5.13 The Accounts Commission published a national report *Bye Now, Pay Later* in 1997. The report made a number of recommendations to improve the management of early retirement in local authorities.
- 5.14 The management of early retrials from an organisation is important as the costs are borne by the authority in the short-term through charges on the revenue account and in the long-term through the employers' contribution rate to the pension fund.
- 5.15 The 2002/03 study is a follow-up of the national report, reviewing the management of early retirement and looking at the extent of implementation of the recommendations.
- 5.16 The study focuses on the Local Government Pension Scheme and has 3 main objectives, to:

- 
- re-assess procedures used to manage early retirement;
  - assess how far the Board has responded to the Commission's 1997 recommendations;  
and
  - review trends in early retirement since 1997.

***Performance indicators***

5.17 In accordance with our statutory duty, we will also review during 2002/03 the Board's arrangements to collect, record and publish the performance indicators required by the Accounts Commission's annual direction and give an opinion on the reliability of the indicators.

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## Fee proposal

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<b>A Output</b>	<b>Timing</b>
1. Audit Planning Memorandum	April 2003
2. Meetings with Management	Ongoing
3. Auditor's Report on the Financial Statements	Sept 2003
4. Annual Report to Members	Nov 2003
5. Certification of Grant Claim (Section 94)	Sept 2003
6. Report to Management (corporate governance overview; arrangements for prevention and detection of fraud and corruption; overview of internal audit	July 2003
7. Data Returns to Audit Scotland – Performance Indicators	June 2003
8. Report to Management - Early retirement	May 2003
<b>B Analysis of Proposed Fee by Professional Grade</b>	
Senior Audit Manager	3,910
Audit Senior	7,450
Assistant Auditor	3,940
	<b>15,300</b>
<b>C Indicative Fee Range</b>	
Minimum	13,500
Midpoint (indicative fee)	15,000
Maximum	16,500
<b>D Comparison of proposed fee against indicative fee</b>	
Midpoint (indicative fee)	15,000
Additions due to deficiencies in final accounts working papers	800
First year planning overhead (part)	(500)
Proposed fee per above	15,300