Scottish Environment Protection Agency

Annual report on the 2010/11 audit

AUDIT SCOTLAND

Prepared for Scottish Environment Protection Agency and the Auditor General for Scotland

September 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

We have given an unqualified opinion on the financial statements of SEPA for 2010/11. SEPA's overall financial position at 31 March 2011 is a net liability of £6.8million, but this is due to the pension fund deficit valuation of £35 million. The pension fund position has improved from the previous year deficit of £74 million, by £39 million due to a significant change in an assumption on future pension increases (CPI linked rather than RPI linked).

There is an overspend against the 2010/11 resource budget (£0.5 million), due to the removal of the cost of capital. Net expenditure of £29.9 million is in line with SEPA's projected budgetary underspend of £2.7 million (quarter 4) once the effect of pension credits and charges are removed. This underspend was used by SEPA to fund capital investments in year, as planned.

SEPA is in the process of major change. It has significant new flood management responsibilities and has four core transformational change programmes. One consequence of change is that SEPA has cut 208 posts from its establishment over the two year period to 31 March 2011. A second voluntary severance programme was undertaken in 2010/11 resulting in 106 staff agreeing to end their employment contracts. The cost of this is reflected, and details disclosed, in the financial statements.

We note that income from charging schemes is a significant element of SEPA's funding and costs relating to these schemes have been under-recovered and there is a risk this may impact on the overall financial position.

Processes and financial controls, within SEPA, helped to prevent a loss to the organisation of £41,560 as a result of a bogus cheque being presented to the bank.

Outlook

Robust cost control and a reduction in on-going staff costs means that SEPA has an approved, balanced budget for 2011/12.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Scottish Environment Protection Agency (SEPA). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.

2. Reports have been issued in the course of the year (Appendix A) and we do not repeat all of the findings in this report, but instead we focus on the financial statements.

3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that SEPA understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

4. This report is addressed to SEPA and the Auditor General and should form a key part of discussions with audit committees, either prior to, or as soon as possible, after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.

5. This report will be published on our website after consideration by SEPA's Audit Committee.

6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.

8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
   - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
   - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
   - the regularity of the expenditure and income (except for local government bodies).

9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of SEPA for 2010/11 give a true and fair view of the state of the body's affairs and of its excess of comprehensive expenditure over income for the year.

11. SEPA is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that the financial statements have been properly prepared in accordance with the FReM.

Going concern

12. As at 31 March 2011, SEPA has a net liability on the statement of financial position of £6.8 million (£48.3 million as at 31 March 2010). The net liability arises due to the on-going recognition of the pension scheme net liability of £35million. The financial statements have been prepared on a going concern basis as the Board relies on the continued support of its sponsor department, the Scottish Government Rural and Environment Directorate.

Regularity

13. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance. As part of this opinion, we considered the specific cases identified in paragraphs 61 & 62 of this report.

Remuneration report and statement on internal control

14. In our opinion, the audited part of the remuneration report has been properly prepared and is consistent with the financial statements.

15. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with guidance.

Accounting issues

Accounts submission

16. A comprehensive set of financial statements and working papers were submitted for audit on 16 May, in accordance with the pre-agreed timetable. The audit fieldwork was completed on 30 May and any audit matters cleared with the Head of Finance by 8 June. A report covering any significant matters on the financial statements was issued on 20 June for the Audit Committee on 28 June. The revised financial statements were signed by the Chief Executive and Accountable Officer on 1 August following approval by the Agency Board on 26 July.

Presentational and monetary adjustments to the unaudited accounts

17. A small number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. There were also some monetary changes identified which resulted in a reduction in net liabilities of £180,000 (2.6%). The audited financial statements have been adjusted to reflect this.

Prior year adjustments

18. All central government bodies have been affected by the removal of the cost of capital in the 2010/11 FReM. This change is identified in the accounting policies and appropriate amendments have been made to the prior year statements.

Pension costs

19. SEPA contributes to the Falkirk Council Pension Fund, which is a defined benefits scheme administered by Falkirk Council. The valuation at 31 March 2011 provided by the scheme's actuaries reduced SEPA's share of the deficit from £74.1 million last year to £35 million this year end. There has been a significant change in one of the financial assumptions with future pensions' increases now linked to the consumer prices index (CPI) and not the retail prices index (RPI).

Asset register

20. Due to staff absences and the tight time constraints, finance officers decided to use the spreadsheets prepared as part of the asset register input documentation to prepare the financial statements, rather than update the asset register. There has been no impact on the accuracy or content of the financial statements, but there is an on-going risk that the asset register is not maintained and there is a weakening in asset control systems and underlying

records to support the financial statements. Officers have confirmed that the asset register will be updated to reflect the non-current asset purchases and disposals for the year to 31 March 2011.

Refer Action Plan No. 1

Whole of government accounts

21. The whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. SEPA was required to submit a consolidation pack to the Scottish Government by 15 July, prior to the submission to audit. The pack was submitted on 18 July, and the audit was completed on 31 August 2011.

Outlook

22. The main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment. Most grants and donated assets should be recognised as income, but grants from a sponsoring department to an NDPB should be credited to general reserves. As a consequence, the government grant reserve and donated asset reserve will no longer exist.

23. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:

- IFRS 9 - financial instruments (replacing IAS39)
- IFRS 10 - consolidated financial statements (replacing IAS27)
- IFRS11 - joint arrangements (replacing IAS31)
- IFRS12 - disclosure of interest in other entities (replacing IFRS12)
- IFRS 13 - fair value.

24. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.

Audit appointment for 2011/12

25. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for SEPA will be PricewaterhouseCoopers LLP. As this is the last year of our audit appointment, we would like to acknowledge the good working relationship that existed during our current appointment term with SEPA and thank officers and members of the board and committees for their assistance during the last five years. We will be meeting with the incoming external auditors, PricewaterhouseCoopers LLP, as part of a managed changeover process.

Financial position

26. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

27. Auditors consider whether audited bodies have established adequate arrangements and examine:

- financial performance in the period under audit
- compliance with any statutory financial requirements and financial targets
- ability to meet known or contingent, statutory and other financial obligations
- responses to developments which may have an impact on the financial position
- financial plans for future periods.

28. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

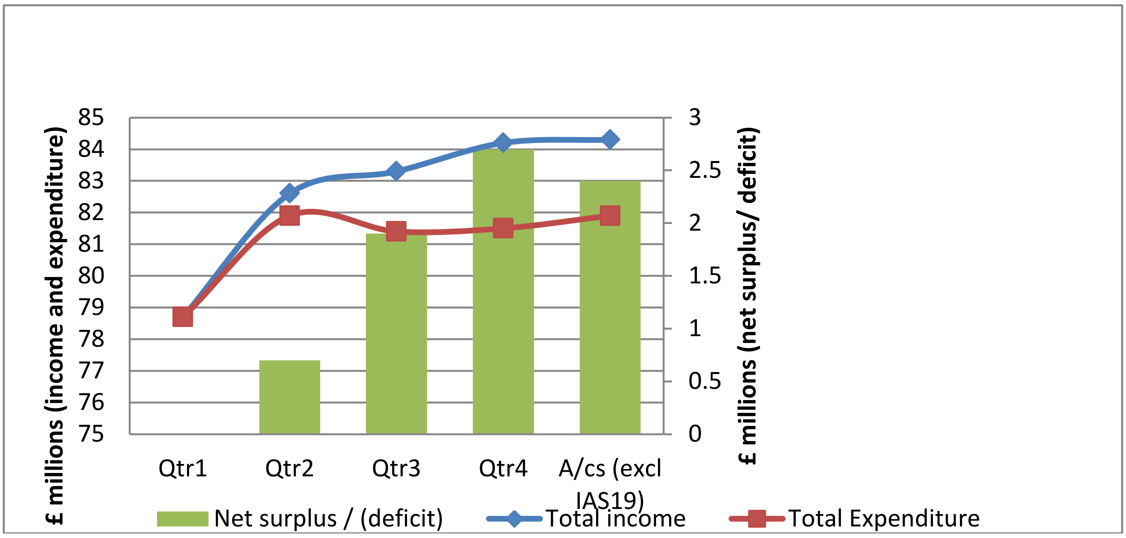
Financial results 2010/11

29. The Scottish Government provides SEPA with a budget and cash allocation for the year, which originates from the Spending Review Settlement and is subsequently approved in the Budget Bill. During the year revisions are approved in the autumn and spring budget revisions. SEPA is expected to manage its budget in accordance with the Financial Memorandum and Scottish Public Finance Manual.

30. SEPA incurred an overspend of £0.456 million against its resource limit of £49.826 million (2010 - £0.746 million underspend). The removal of the cost of capital had a significant impact on the resource position. This cost of capital credit more than offset unfunded depreciation in the previous year, but its removal in 2010/11 and an increased depreciation charge provided an additional cost pressure of £1.3 million. SEPA is required, taking one year with another, to meet the Scottish Government resource limits set for it. Although we note the in-year overspend confirmation has been received from the Scottish Government Rural and Environment Directorate that this overspend will be managed by them. SEPA met its cash target in 2010/11 and drew down £48.188 million allocated to it to cover capital and operating costs for the year.

31. The comprehensive net expenditure of £29.9 million was funded by grant in aid of 48.2 million. This provided an in-year excess of £18.3 million for the year. The actuary estimate of past service cost and net return on assets (non-cash accounting adjustments) contributed £15.8million to this, with the remaining £2.5 million coming from budget underspends. This is consistent with the budgetary control reports, which demonstrated this steady growth in budget underspends (Exhibit 1).

Exhibit 1: Quarterly budgetary control reporting



Source: SEPA financial monitoring reports

32. SEPA is expected to seek to achieve full cost recovery on its chargeable services. The chargeable income represents around 40% of cash received and its associated expenditure is 55%, so it is a significant element of SEPA's financial structure. In 2010/11 the charging schemes achieved an overall cost recovery of 94%. A reduction from 2009/10 of two percentage points. This reduction is substantially due to SEPA restricting charge increases with the agreement of Scottish Government in support of Scottish Government initiatives to promote economic growth.

33. SEPA has not achieved full cost recovery since it introduced charging schemes in 1997 (Exhibit 2). There is a risk that charging schemes continue to significantly under-recover their costs and this has an on-going impact on the overall financial position. Charging scheme fee increases are subject to ministerial approval. If the proposed increases exceed RPI as at the preceding September, SEPA has to formally consult with stakeholders before seeking ministerial approval.

Exhibit 2: A history of charging scheme income and expenditure (£million)

Year end 31 March --	98	99	00	01	02	03	04	05	06	07	08	09	10	11
Income	7.4	10.7	13.8	16.8	17.5	18.5	20.2	23.8	26.5	30.2	32.8	32.9	33.2	34.1
Expenditure	12.5	15.9	17.9	18.2	21.0	22.0	22.7	24.4	26.8	31.2	34.2	35.7	34.4	36.2
Net under recovery	5.1	5.1	4.2	1.3	3.5	3.5	2.4	0.6	0.3	1.1	1.5	2.7	1.2	2.1
%	59%	67%	77%	93%	84%	84%	89%	98%	99%	97%	96%	92%	96%	94%

Source: SEPA Annual Report and Accounts 1997/98 - 2010/11

Refer Action Plan No. 2

Financial position at 31 March 2011

34. The negative overall reserve position has improved by £41.6 million during the year. A significant proportion (£39.1m) of this improvement is due to pensions movements indicated in the actuaries' report.

Capital investment and performance 2010/11

35. During the year SEPA spent £4.564 million (2010 - £8.311 million) on a range of capital projects in accordance with the planned programme. The major capital project to build Inverdee House was completed in 2009/10. Capital expenditure was funded from Scottish Government grant in aid and includes an element of revenue resource transfer, which is within SEPA's discretion.

Financial planning to support priority setting and cost reductions

Transformational change programme

36. In response to the financial constraints SEPA has embarked on a transformational change programme to redesign service delivery and identify efficiency savings.

37. The 2010/11 Annual Operating Plan(AOP) replaced the final year of SEPA's corporate plan 2008-2011and provided the foundation for SEPA’s planning, including decisions on performance management and resource allocations.

38. The AOP focuses on four transformational change programmes. The ‘better regulation’ and ‘step change in science and strategy’ programmes seek to transform the way in which SEPA’s main business activities are delivered. The ‘developing our people’ programme seeks to equip management and staff to deal with the future changes. The ‘better systems and processes’ programme seeks to ensure that systems and processes are developed to meet the changing business requirements. Back-office functions are also being changed in response to this.

Workforce reduction

39. As part of the transformational change programme SEPA has reduced its establishment by 208 posts over the two year period to 31 March 2011, SEPA has cut 31 vacant posts and carried out two voluntary severance exercises which resulted in 177 staff leaving. 106 staff accepted voluntary severance in 2010/11 at a cost of £4.2 million. In 2009/10, 71 staff accepted voluntary severance at a cost of £3.1 million. The scale of reduction over the two year period represents 14% of the workforce.

40. The voluntary severance exercise has enabled SEPA to cut baseline costs in 2011/12 and produce a breakeven budget.

41. During 2010/11 SEPA paid an additional employer's superannuation contribution to Falkirk Pension Scheme of £1.5 million to reduce the funding deficit associated with the staff who have left via the voluntary severance scheme. This approach was discussed with the Scottish Government and the actuary to ensure that it provided value for money.

Asset management

42. In August 2011, SEPA secured a new facility to accommodate around 350 scientific, advisory, regulatory and support staff. The new arrangements are designed to provide more efficient and effective services and better value for money for the taxpayer, including the projected achievement of significant savings over the 20 year term of the lease. The new building is rated BREEAM Excellent and reduces the environmental footprint of SEPA's estate, a key objective of SEPA's estate strategy.

Procurement

43. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced a new annual evidence-based assessment, the procurement capability assessment (PCA), to monitor how far public sector bodies adopt good purchasing practice and as a basis for sharing best practice. So far two rounds of PCA assessment have been completed. In 2010, SEPA scored 72% which is classed as "improved performance" and demonstrates further improvement on the 2009 score of 68%. SEPA is continuing to monitor the efficiencies achieved through procurement to identify any areas for further improvement.

Partnership working

44. SEPA staff in Thurso recently moved into shared offices with Scottish Government's Rural Payments and Inspections Directorate (SGRPID) and Animal Health and Veterinary Laboratories Agency (AHVLA). The aim is that this move will enable all three organisations to share resources and enable closer working relationships under the Scotland's Environment and Rural Services (SEARS) initiative.

45. The Flood Risk Management (Scotland) Act places a statutory duty on SEPA to provide flood warnings and confers powers relating to the future development of flood warning and forecasting. The Scottish Flood Warning Centre is a joint arrangement between SEPA and the Metrological Office to provide flood forecasts. The Flood Warning Service which is a system that sends messages free of charge, to registered mobile phones and landlines about flooding in areas covered by SEPA's Flood Warning Schemes. The system became operational in March 2011.

Outlook

2011/12 budget

46. As noted above, due to the significant workforce reduction programme, SEPA has set a balanced budget for 2011/12 of £73.1 million, including identified efficiency savings of £5.1 million, including £4.6 million of staff cost savings from posts removed from the staff establishment.

End Year Flexibility

47. As part of efforts to reduce national borrowing levels, the UK Government has announced the replacement of End Year Flexibility with a more restrictive budget exchange arrangement from 2011/12. The Scottish Government is in dialogue with HM Treasury about the ultimate implications for the Scottish Budget, including the extent to which it can carry forward any unspent funding from 2010/11 to future years.

Governance and accountability

48. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

49. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

50. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity
- standards of conduct and arrangements for the prevention and detection of corruption.

51. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

52. The Board is responsible for ensuring that SEPA fulfils the aims and objectives set by Scottish Ministers. The role of the Board includes establishing the overall strategic direction, monitoring performance against agreed objectives and ensuring that statutory requirements for the use of public funds are complied with.

53. The Audit Committee monitors and reviews risk, control and corporate governance and reports to the Board.

Internal control

54. Our audit approach includes a review of the high level controls operating within SEPA's key financial systems. Our overall conclusion from the 2010/11 review was that key controls were operating effectively and that SEPA has adequate systems of internal control in place.

55. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work is informed by an assessment of risk and the activities of internal audit.

56. As part of our risk assessment and planning process we assessed KPMG LLP, SEPA's internal auditors, and concluded that they operate in accordance with the Government Internal Audit Manual. We were therefore able to place reliance on their work in a number of areas as detailed within our annual audit plan.

57. In their annual report for 2010/11, KPMG provided their opinion that, based on the work undertaken during the year, SEPA's systems provide a reasonable basis for maintaining control and that the control framework provides reasonable assurance regarding the effective and efficient achievement of strategic objectives.

58. The statement on internal control within the 2010/11 financial statements accurately reflects the findings of internal and external audit work.

Prevention and detection of fraud and irregularities

59. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

60. SEPA has appropriate arrangements in place to prevent and detect instances of fraud and corruption including detailed policies which have recently been reviewed and updated.

61. During 2010/11 SEPA lost £1,579 due to fraudulent dial-through telephone usage which was identified via billing and restrictions were immediately put in place.

62. Finance staff identified an attempt by a member of staff to obtain funds of £41,560 from a SEPA bank account through the use of a bogus cheque. The attempt was detected by SEPA's existing systems and processes to routinely monitor bank transactions before any loss was incurred. The member of staff was dismissed.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

63. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have concluded that the arrangements in SEPA are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

64. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

65. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.

66. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:

- a performance audit which may result in the publication of a national report
- an examination of the implications of a particular topic or performance audit for an audited body at local level
- a review of a body’s response to national recommendations.

67. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments

68. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

69. This section includes a commentary on the Best Value/ performance management arrangements within SEPA. We also note any headline performance outcomes/ measures used by SEPA and any comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

70. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.

71. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

72. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:

- vision and leadership
- effective partnership
- governance and accountability
- use of resources
- performance management
- equality (cross-cutting)
- sustainability (cross-cutting)

73. On an annual basis, each directorate within SEPA completes a review of current practice against best value principles to identify any areas for further improvement. The outcome of these reviews is used to inform the transformational change programmes.

Flood management responsibilities

74. SEPA were assigned additional flood management responsibilities by the Scottish Government in 2010/11 and additional funding of £4 million was provided to meet this. In response SEPA has agreed a resource plan for 2011/12 to ensure sufficient staff are in place to fulfil this commitment. Progress is reported to the Flood Risk Management Act Programme Board on a monthly basis.

Overview of performance in 2010/11

Performance measurement outcomes

75. SEPA achieved 15 of the 20 corporate targets for 2010/11. Some of the measures of performance achieved include:

- respond to at least 95% of all environmental incidents and pollution reports within 24 hours, and all major and significant events immediately - 98.3% achieved
- consolidate the carbon reductions identified and investigate the feasibility of further reductions from regulated industries by 31 March 2011
- complete at least 95% of the 2010 national monitoring plan by 31 December 2010 - 100% achieved
- achieve 10% cost savings across the organisation by 31 March 2011 - 11% achieved
- reduce carbon dioxide emissions arising from all business transport modes by 10% below the2006-2007 baseline by March 2011 - 25% achieved.

76. Five targets were not achieved, including:

- complete 100% of planned inspections of sites regulated under the Control of Major Accident Hazards (COMAH) regime, and complete Safety Report assessments - 92% completed

- maintain operator compliance scores at the 2009-2010 levels (86%) for the Pollution Prevention and Control regime Parts A and B - 83.7% achieved due to failure to submit annual data returns
- reduce carbon dioxide emissions arising from business activities by 25% below the 2006-2007 baseline by 31 March 2012 - a road map has been developed to assist attainment of this target.

Efficiency targets

77. SEPA had an annual efficiency saving target set by the Scottish Government of £0.727 million and a cumulative cash efficiency target of £2.182 million, for the three years to 31 March 2011. SEPA has achieved savings of £4.974 million against this target.

National performance reports

78. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of interest are:

Exhibit 3: A selection of National performance reports 2010/11

- Improving energy efficiency: a follow-up report
- Scotland's public finances: responding to the challenges
- The role of boards
- Role of boards: a summary for non-executive board members
- Management of the Scottish Government's capital investment programme
- The cost of public sector pensions in Scotland

Source: www.audit-scotland.gov.uk

79. SEPA regularly reviews the processes of the Agency Board. Following the issue of the Role of Boards report SEPA has introduced plans to complete a self assessment against the checklist in September 2011. The results of this review will help inform the operation of the Agency Board.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	7 December 2010	14 December 2010
Key financial controls assurance report	14 March 2011	22 March 2011
Report on financial statements to those charged with governance	20 June 2011	28 June 2011
Audit opinion on the 2010/11 financial statements	20 June 2011	28 June 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	20	The asset register was not updated and input spreadsheets were used to prepare the financial statements. There is an on-going risk that the asset register is not maintained and is there is a weakening in asset control systems and underlying records to support the financial statements.	Officers have confirmed that the asset register will be updated to reflect the non-current asset purchases and disposals for the year to 31 March 2011	Head of Finance	31 Dec 2011
2	33	The overall cost recovery rate on charging schemes is 94%. There is a risk that if charging schemes continue to significantly under-recover their costs there will be an impact on the overall financial position.	SEPA's Better Regulation Programme is focussed on establishing a new regulatory model with a wholly different charging model incorporated within that. SEPA regularly reviews and updates the current charging schemes to ensure that income reflects regulatory effort and costs and that the basis for, and structure of its charging schemes are transparent and incorporate independent external scrutiny where appropriate.	Head of Finance	Performance reviews - Quarterly. Strategic Review - Annually