

Central Scotland Joint Fire and Rescue Board

Annual Report on the 2012/13 Audit



Prepared for the Members of Falkirk Council and the Controller of Audit for Scotland
August 2013

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

2012/13 audit findings

We have given an unqualified opinion that the financial statements of Central Scotland Joint Fire and Rescue Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The audit of the financial statements was completed within the timescales outlined in our Annual Audit Plan. The plan was previously submitted to the Central Scotland Joint Fire and Rescue Board Best Value and Scrutiny Committee on 22 March 2013. The accounts and working papers were presented for audit on 13 June 2013, in accordance with the agreed timetable, and audit work was completed by the end of August 2013.

A limited number of amendments to the accounts were necessary. The main changes were presentational in nature but there was one amendment that resulted in an adjustment to the level of reserves redistributed to constituent councils.

Overall the Board's governance arrangements in 2012/13 were adequate. This was corroborated by the Annual Assurance Report prepared by the Internal Audit Manager which stated that substantial assurance could be placed on the arrangements for risk management, governance, and control for the year to 31 March 2013.

In addition we concluded that the authority had adequate arrangements for the prevention and detection of fraud during 2012/13, including participation in the National Fraud Initiative.

The Board's Best Value and Scrutiny Committee received regular performance management reports throughout the year. These highlighted that the Board performed well in a number of areas such as health and safety, although sickness absence was higher than the average in comparison with other Boards.

Introduction

1. The Police and Fire Reform Act 2012 wound up Central Scotland Joint Fire and Rescue Board on 31 March 2013 and transferred the board's functions to the new Scottish Fire and Rescue Service on 1 April 2013. Residual accounting and reporting obligations were transferred to Falkirk Council who had previously been the lead authority for accountancy support to the outgoing board.
2. This report is the summary of our findings arising from the 2012/13 audit of Central Scotland Joint Fire and Rescue Board. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
3. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the [Code of Audit Practice](#) prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the Council's Audit Committee on 23 September 2013.

Financial statements

Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Joint Board on 22 March 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and remains unchanged.

Audit opinion & accounting issues

7. We have given an unqualified opinion that the financial statements of Central Scotland Joint Fire and Rescue Board for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion will be formally issued and signed on 23 September 2013.
8. We received the unaudited financial statements on 13 June 2013 in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team. The financial statements were required to follow the Code of Accounting Practice 2012/13 and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Audit findings (ISA260)

9. During the course of the audit we identified a number of issues regarding the appropriateness of accounting policies or accounting estimates and judgements, disclosure requirements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
10. Trade payables were originally overstated by approximately £74,000 in the unaudited accounts. This was due to incorrect accounting treatment. On investigation, it was found that International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) applied and finance staff amended the accounts to include a provision.
11. Expenditure of approximately £78,000 relating to financial year 2013/14 was accounted for incorrectly in 2012/13. This was corrected by finance staff resulting in an increase in prepayments of £78,000, and a corresponding increase in short term creditors. Expenditure was also decreased by £78,000, with a corresponding decrease in requisitions received from constituent councils. The net effect of these adjustments resulted in no change to the bottom line on the balance sheet or comprehensive income and expenditure statement.

12. Assurance on the adequacy of internal financial controls was not received from the Chief Fire Officer prior to his retirement at the year end. This did not undermine the ability of the Chief Finance Officer to reach a conclusion on the adequacy of the control environment as he was able to place reliance undertaken by internal and external audit.

Whole of Government Accounts

13. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The 2012/13 WGA return to the Scottish Government was submitted by officials prior to the deadline of 30 August 2013.

Financial position

14. Central Scotland Joint Fire and Rescue Board finished the year with a usable reserves balance of £1.061m which was above that budgeted. This was due to the budgeted transfer from reserves being underutilised. The balance was adjusted to £1.072m to account for some late payments and was then adjusted to nil in the accounts to reflect the agreement for the repayment of uncommitted reserves to constituent councils.
15. The Board had total borrowings of £5.541m at the 31 March 2013. This borrowing was facilitated by and will remain with the council, although it will be serviced by the new Scottish Fire and Rescue Service going forward.

Corporate governance and systems of internal control

Overall governance arrangements

16. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Board had adequate governance arrangements in place.
17. The Board met regularly throughout the year to discuss and review strategic and operational issues including transitional arrangements for the transfer to the new Scottish Fire and Rescue Service. In carrying out this work, the Board was supported by a number of sub committees, namely the Best Value and Scrutiny Committee, and the Resources and Joint Consultative Committee.

Accounting and internal control systems

18. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
19. Internal audit is an important element of the Board's governance structure. The internal audit function was provided by the internal audit section of Falkirk Council. Our annual review of internal audit in terms of International Accounting Standard 610 (Using the work of Internal

Audit) confirmed that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place. We were therefore able to place formal reliance on the work of internal audit in a number of areas including key controls within the main financial systems. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

20. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. In forming our opinion, we obtained significant assurance from the Internal Audit Manager's 2012/13 Annual Assurance Report which concluded that substantial assurance could be placed on the arrangements for risk management, governance, and control for the year to 31 March 2013.

Prevention and detection of fraud and irregularity

21. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. During 2012/13 the Board's Whistle Blowing and Anti Fraud and Corruption Policy remained in place. In our opinion Central Scotland Joint Fire and Rescue Board's overall arrangements for the prevention of fraud were satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

NFI in Scotland

22. Audit Scotland has coordinated another major counter fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in January 2013 but is not due to report until May 2014.
23. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate. With regard to Central Scotland Fire and Rescue Board there were a low number of low risk matches identified as a result of the exercise and these fall to be followed up by the new Scottish Fire and Rescue Service.

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

24. 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. Auditors consider whether bodies have adequate arrangements in place. As part of our preliminary evaluation of governance arrangements we noted that the Board had a

Code of Conduct in place for employees and members, as well as Standing Orders for Committees and other arrangements such as Financial Regulations provided by Falkirk Council. No issues have been identified by us for inclusion in this report.

Best value

Best value and performance

25. In July 2012, the Accounts Commission published its overview report on Best Value in Fire and Rescue Services in Scotland. This report drew on the findings of Best Value audits of Scotland's eight fire and rescue services published between January and March 2012. Some of the key messages highlighted in the report were:
- The new national Scottish Fire and Rescue Service will inherit many aspects of strong performance.
 - There had been an increasing focus on the preventative role of fire and rescue services in Scotland.
 - Five of the Scottish services are among the six most expensive in the UK.
26. It also focused on the opportunities and challenges facing fire and rescue in moving towards the Scottish Fire and Rescue Service (SFRS), which came into operation on 1 April 2013. The SFRS will be subject to scrutiny by both Her Majesty's Fire Service Inspectorate in Scotland (HMFSI) and the Auditor General for Scotland. Audit Scotland is working with HMFSI on an early inspection of the SFRS during 2013.

Performance Management

27. The Board had well established performance management and reporting arrangements in place during 2012/13. The performance reporting format included a number of local and statutory performance indicators which were linked to the Community Planning Partnerships in Clackmannanshire, Falkirk and Stirling.
28. The performance reports contain a suite of performance indicators which are benchmarked against the best performing Scottish Fire and Rescue Services. This has shown that Central Scotland Fire and Rescue Service had performed better than other Scottish services in many areas, such as health and safety.

Statutory Performance Indicators

29. Central Scotland Fire and Rescue Service have made notable improvements in relation to most statutory performance indicators in 2012/13. For example the number for incidents resulting in casualties per 10,000 population has fallen by 41%, from 1.36 in 2011/12 to 0.8 in 2012/13. Also, the number of fatal and non-fatal casualties per 10,000 population has fallen by 44%, from 1.94 in 2011/12 to 1.1 in 2012/13.

30. In terms of accidental dwelling fires, the rate per 10,000 population has fallen by 13%, from 6.9 in 2011/12 to 6.0 in 2012/13. These improvements represent good performance going forward into the new SFRS.
31. Sickness absence levels have continued to increase in 2012/13. The average number of days lost per fire officer due to sickness and light duties in respect of rider shifts has increased by 73% from 4.9 days in 2011/12 to 8.5 days in 2012/13. Also, the average number of working days lost due to sickness for all other staff has increased by 25% from 7.7 days to 9.6 days. Part of this increase was due to the long term absence of two members of staff.

Acknowledgements

32. We would like to express our thanks to the staff of the council and the board for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.