
Report to those charged with governance on the Central Scotland Joint Fire and Rescue Board 2012/13 audit

Committee :	Audit Committee
Date:	23 September 2013
Location:	Falkirk

Background

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. 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. Residual accounting and reporting obligations were transferred to Falkirk Council and we are therefore reporting to the Audit Committee as those charged with governance.
3. This report sets out the matters arising from the audit of the financial statements for 2012/13 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. It should be noted that the audit opinion reflects recent discussions with management and is subject to satisfactory conclusion of any outstanding matters.
4. We also present for your consideration our draft annual report on the 2012/13 audit which identifies significant findings from the financial statements audit. This report is attached at Appendix C.

Status of the work

5. We have completed the audit of the accounts for Central Scotland Joint Fire and Rescue Board. The issues arising from the financial statements audit were included in matters arising schedules issued to the relevant Senior Accountant during the course of the audit. The more significant issues were discussed with the Depute Chief Finance Officer of Falkirk Council on 20 August 2013.

Fraud

6. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of fraud that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion and representations

7. We anticipate being able to issue an unqualified auditor's report on 23 September (the proposed report is attached at [Appendix A](#)). There are no anticipated modifications to the audit report.
8. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000.
9. A small number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to decrease expenditure by £0.078m and correspondingly decrease the income from requisitions from constituent councils. Net assets as recorded in the balance sheet have remained unchanged with an increase of £0.078m in prepayments correspondingly netted off with an increase in short term creditors.
10. There was also one minor error that has not been adjusted in the financial statements. This relates to a £3k under accrual of holiday pay. It is our responsibility to request that all errors be corrected although we would agree with management that this item is not material to the financial statements.
11. As part of the completion of our audit we seek written assurances from the Chief Finance Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Chief Finance Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Audit findings

12. During the course of the audit we have 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. Paragraphs 9-12 headed 'audit findings' in the attached annual audit report set out the issues we regard as those to be reported.

Outstanding matters

13. There are no outstanding matters.

APPENDIX A:

Proposed Independent Auditor's Report

Independent auditor's report to the members of Falkirk Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Central Scotland Joint Fire and Rescue Board for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of the body as at 31 March 2013 and of the income and expenditure of the body for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records
- I have not received all the information and explanations I require for my audit
- the Statement on the System of Internal Financial Control does not comply with the 2012/13 Code
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

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23 September 2013

Appendix B: ISA 580 - Letter of Representation

James Rundell
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Dear Jim

Central Scotland Joint Fire and Rescue Board

Annual Accounts 2012/13

1. This representation letter is provided in connection with your audit of the financial statements of Central Scotland Joint Fire and Rescue Board for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Central Scotland Joint Fire and Rescue Board, as at 31 March 2013 and its Comprehensive Income and Expenditure Statement for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of relevant officers, the following representations given to you in connection with your audit of Central Scotland Joint Fire and Rescue Board for the year ended 31 March 2013.

General

3. I acknowledge my responsibility and that of Central Scotland Joint Fire and Rescue Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Central Scotland Joint Fire and Rescue Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

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4. The information given in the Annual Report to the financial statements, including the Explanatory Foreword and Remuneration Report, presents a balanced picture of Central Scotland Joint Fire and Rescue Board and is consistent with the financial statements.
 5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Central Scotland Joint Fire and Rescue Board for the year ended 31 March 2013.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. The functions of Central Scotland Joint Fire and Rescue Board have transferred to the new Scottish Fire and Rescue Service and a going concern basis has therefore been followed for the production of the accounts.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Events Subsequent to the Balance Sheet Date

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

Corporate Governance and Internal Control

13. I acknowledge as Chief Finance Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
14. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. There have been no changes in internal control arrangements relating to residual transaction for the board, since the 31 March 2013, which require disclosure.
15. The absence of an assurance letter from the Chief Fire Officer has not undermined my ability to reach a conclusion on the Board's internal control environment. Based on the work undertaken by Internal Audit during 2012/13, I concluded that substantial assurance could be placed on the adequacy and effectiveness of the Board's internal financial controls.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

17. The assets shown in the Balance Sheet at 31 March 2013 were owned by Central Scotland Joint Fire and Rescue Board and were transferred to the new Scottish Fire and Rescue Service on 1 April 2013.
18. I can also confirm that the trade receivables figure in the Balance Sheet is accurate and reliable. A detailed exercise of year end accruals was undertaken at the request of external audit and any errors identified were corrected.

Liabilities

19. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2013.

Carrying Value of Assets and Liabilities

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Provisions

21. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2013 and of which Central Scotland Joint Fire and Rescue Board could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2013.

Yours sincerely

Chief Finance Officer

Appendix C: Draft Annual Report on the 2012/13 Audit

(See separate document)