

Scottish Fire and Rescue Service

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Fire & Rescue Service and the Auditor General for Scotland

November 2023

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Key messages

2022/23 annual report and accounts

- 1 Our audit opinions on the Scottish Fire and Rescue Service's (SFRS) annual report and accounts are unmodified. This means that we are content that the accounts show a true and fair view and have been properly prepared to follow relevant standards and guidance and that income and expenditure for the year is lawful.
- 2 The audited part of the remuneration and staff report, performance report and governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Financial management and sustainability

- 3 SFRS has appropriate and effective financial management in place with regular resource and capital monitoring reports provided to the board.
- 4 SFRS reported a small overspend of £1.4 million against its budget of £293 million.
- 5 Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.
- 6 SFRS is planning effectively so it can continue to deliver services in the medium and longer term. Financial modelling of scenarios is used to develop options for the medium term linked with the service's strategic review programme. The board's ten-year financial strategy is identified as good practice but requires updating to reflect the current challenging environment.

Vision, leadership and governance

- 7 SFRS has clear plans in place to support its vision, strategy and priorities.
- 8 SFRS has effective and appropriate governance arrangements in place that support scrutiny of decisions made by the board.

Use of resources to improve outcomes

- 9** SFRS has appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes.
- 10** SFRS has an effective performance management framework in place.
- 11** Service performance is regularly scrutinised. Fire-related activity levels are reducing but false alarms and non-fire incidents are on the increase.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Scottish Fire and Rescue Service (SFRS). The scope of the audit was set out in our annual audit plan which was considered by the Audit and Risk Assurance Committee in April 2023. This Annual Audit Report comprises:

- significant matters arising from the audit of SFRS's annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial management
 - Financial sustainability
 - Vision, leadership, and governance
 - Use of resources to improve outcomes.

2. This report is addressed to the board of SFRS and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. We have been appointed by the Auditor General for Scotland as auditor of SFRS for the five-year period from April 2022 until March 2027. The 2022/23 financial year was the first of that appointment. Our appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. We would like to thank board members and staff for their cooperation and assistance during the year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. SFRS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Ministers. SFRS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of SFRS from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £141,170 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Our audit opinions on the annual report and accounts are unmodified. This means that we are content that the accounts show a true and fair view and have been properly prepared to follow relevant standards and guidance and that income and expenditure for the year is lawful.

The audited part of the remuneration and staff report, performance report and governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Audit opinions on the annual report and accounts are unmodified

10. The Audit and Risk Assurance Committee (ARAC) scrutinised the annual report and accounts for the year ended 31 March 2023 on 30 November 2023 and thereafter, recommended them for approval by the board on 14 December 2023. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed as £10 million

11. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. Based on our professional judgement, it was set at 2% of gross expenditure	£10 million
Performance materiality - This is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Using our professional judgement, performance materiality was calculated at 65% of overall materiality.	£6.5 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This was set at 2.5% of overall materiality.	£250,000

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

13. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Management override of controls</p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise are operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing and tested a sample of journals with a focus on risk areas.</p> <p>Made enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Assessed any changes since the prior year to the methods and underlying assumptions used to prepare accounting estimates and identify related party relationships requiring disclosure.</p>	<p>Based on the audit work undertaken, there was no evidence of management override of control.</p>

14. In addition, we identified "areas of audit focus" in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus are summarised in [Exhibit 3](#).

Exhibit 3

Areas of audit focus

Area of audit focus	Assurance procedure	Results and conclusions
<p>1. Estimation in the valuation of property, plant and equipment (PPE)</p> <p>There is a degree of subjectivity in the measurement and valuation of PPE due to the specialist and management assumptions adopted. Changes in the</p>	<p>Evaluated the competence, capabilities and objectivity of the professional valuers.</p> <p>Assessed the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions.</p>	<p>No issues were identified from our audit work in this area.</p>

Area of audit focus	Assurance procedure	Results and conclusions
<p>assumptions could result in material changes in the valuation.</p> <p>While the service has adopted a robust biennial approach for the valuation of its estate, there is a risk that the carrying value of assets not revalued in the year does not reflect their current value. Where any differences in value are likely to be significant, this increases the risk of material misstatement in the financial statements.</p>	<p>Substantively tested the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year.</p> <p>Assessed the adequacy of SFRS's disclosures regarding the assumptions in relation to the valuation of land and buildings.</p>	
<p>2. The value of the net pension liabilities</p> <p>The net pension liabilities valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liabilities. Changes in the assumptions could result in material changes in the valuation.</p> <p>SFRS participates in the Firefighters' Pension Schemes (FFPS) and the Local Government Pension Schemes (LGPS) and had a net pension liability of £5 billion in 2021/22. SFRS uses a number of actuaries for the FFPS and the 8 LGPS. The valuations are prepared by reputable actuaries using standard methodologies and no significant changes in the membership of the</p>	<p>In accordance with ISA 500, we evaluated the competence, capabilities and objectivity of the actuaries and by using the work of an independent expert, we challenged the key assumptions applied by the actuaries when undertaking the valuations.</p> <p>Agreed the data provided by the service to pension funds for use in valuations and obtained assurances from the pension funds over the completeness and accuracy of data provided to the actuaries.</p> <p>Confirmed the disclosures in the financial statements with actuarial valuations.</p> <p>Where actuaries reported net pension surpluses, confirmed that the accounting treatment was correctly applied.</p>	<p>Due to changes in the actuarial assumptions, especially the discount factor, a net pension surplus has been reported, largely for the first time, in seven of the eight LGPS schemes.</p> <p>IAS19 however limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. Employer contribution rates are set in advance, making it difficult to access any economic benefit and there is no unconditional right to a refund.</p>

Area of audit focus	Assurance procedure	Results and conclusions
<p>scheme or accrued benefits are expected in the current year.</p>		<p>Where the actuary advises that the present value of minimum funding requirement contributions exceed future service cost, as is the case for 7 out of 8 of the funds, no asset should be recognised.</p> <p>The eighth LGPS fund, Dumfries and Galloway continued to report a net pension liability and this amounted to £1.1 million.</p> <p>When preparing the consolidated figures, Dumfries and Galloway was also included at nil value rather than continuing to be carried as a net liability. An adjustment of £1.1 million has been made in the revised accounts which has increased the overall pension liability with a corresponding movement on the pension reserve.</p> <p>With the exception of the above matter, no issues were identified from our audit work in this area.</p>

Significant findings and key audit matters

15. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to ARAC, including our view about the qualitative aspects of the service's accounting practices. The Code of Audit Practice also requires us to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

The annual report and accounts were received later than expected

16. The unaudited annual report and accounts were received on 22 September 2023, six weeks beyond the expected date of 11 August 2023 set out in our Annual Audit Plan. An earlier version of the annual accounts was provided to us on 8 September 2023 which enabled us to commence part of our audit. The annual report provides important context for the audit of the accounts, making it more efficient to have the complete annual report and accounts available at the start of the audit.

17. That said, we received a good quality set of accounts and working papers. The main exception related to non-current assets. We found the audit trail between the asset register and the accounts difficult to follow but recognise that this is due to limitations in the accounting system. We noted that finance staff need to prepare additional working papers to support the reports generated by the asset register system. With the assistance of the finance team, we obtained sufficient assurance to conclude satisfactorily on the non-current asset disclosures in the accounts. Overall, the finance team responded promptly to audit queries and provided good support to the audit.

Misstatements of £1.1 million were adjusted in the audited accounts.

18. Other than the audit adjustment of £1.1 million explained in [Exhibit 3](#), we identified one misstatement which was not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to the uncorrected misstatement and concluded that it was not material. Further details are included in [Appendix 2](#).

Performance Report

19. In accordance with the Financial Reporting Manual (FRoM), the annual report and accounts includes a performance report. The service has provided a comprehensive report which includes a range of operational performance indicators and details a range of achievements as evidence of progress against its strategic priorities.

20. Our audit opinion confirms that the Performance Report is consistent with the financial statements and that it has been prepared in accordance with Scottish Government requirements. In reaching this opinion, we requested the inclusion of more information in the following areas:

- Greater focus on the identification and management of the principal risks faced by the service during the financial year. Also, the emerging risks from horizon scanning and the potential impact on future plans.
- The service provides a narrative on a range of achievements against each outcome. There are however no indicators or comparison of progress against the plan to give an indication of the pace and depth of progress made in the year. More balanced reporting is required.

- In line with guidance for a financial review, there should be more narrative to introduce the key issues within the annual accounts. This will provide a more cohesive understanding of service performance. For example:
 - the background to terminating the contract with Systel, with a summary of the risks, costs and implications for the service
 - more explanation for the significant reduction in the net pension liability
 - the impact of the 2022/23 property revaluation results on the accounts and given the increased profile across the public sector, an update on the service's management of buildings with Reinforced Autoclaved Aerated Concrete (RAAC)
 - reflections on the new accounting arrangements for leases which were implemented in 2022/23.

Recommendation 1

The performance report should provide a stronger narrative on the service's 'story' for the financial year, be supported by financial and non-financial information and include commentary on the principal risks and challenges and their mitigation.

Good progress was made on prior year recommendations

21. SFRS has made good progress in implementing the audit recommendations identified by the previous external auditor in respect of the 2021/22 audit.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

SFRS has appropriate and effective financial management in place with regular resource and capital monitoring reports provided to the board.

SFRS reported a small overspend of £1.4 million against its budget £293 million.

Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

22. SFRS reports to the board on its resource and capital monitoring on a quarterly basis. Outturn reports for the year were provided in October 2023. The service's main financial objective is to ensure that the financial outturn is within the budget allocated by Scottish Ministers.

23. Monitoring reports provide a reasonable mix of charts, narrative and figures to explain the financial picture for board members and form a solid foundation to enable scrutiny and challenge. Progress against savings targets is also monitored.

24. Resource monitoring takes the form of subjective analysis (employee costs, property costs, supplies and services, transport, third party payments etc) with staff costs representing a significant proportion of the total. The service operates as a single service and therefore opts not to include a segmental reporting note in its annual accounts. There is scope however to increase transparency within the accounts through the provision of more information on service costs e.g. by directorate, functional activity and/or geographical spread.

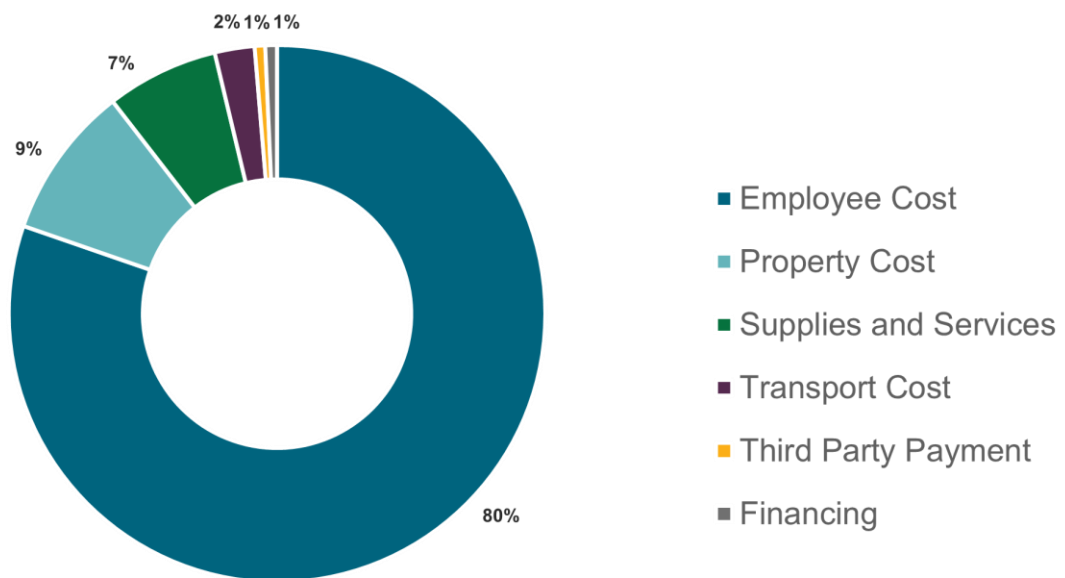
Effective budget processes included delivery of planned savings

25. The service's resource budget of £293 million was an increase of approximately £9.5 million on the previous year as it included provision for the pay award, increased national insurance costs and rising utility bills as a result of the energy crisis. The service however continued to have a number of financial challenges in the year including:

- implementation of a pay award 5% greater than the amount initially planned for
- additional overtime, including public holiday overtime, as part of the service's response to the death of HM Queen Elizabeth II. There has also been the need for additional overtime to maintain relevant appliances affected by officers taking retirement.

26. [Exhibit 4](#) shows that staff and pension costs form 80% of the service's expenditure. The overall staff budget was largely managed with only a small overspend of £0.259m.

Exhibit 4 Running cost by expenditure type



Source: Resource and Capital Budget Outturn 2022/23

27. Overall, the service reported an overspend of £1.355m (Exhibit 5) which was an improved position on February 2023's forecast which estimated an overspend of £2.985m. The actual overspend was within a financial limit permitted by the Scottish Government with regard to Grant-in-Aid allocations for 2022/23.

Exhibit 5**Performance against fiscal resource in 2022/23**

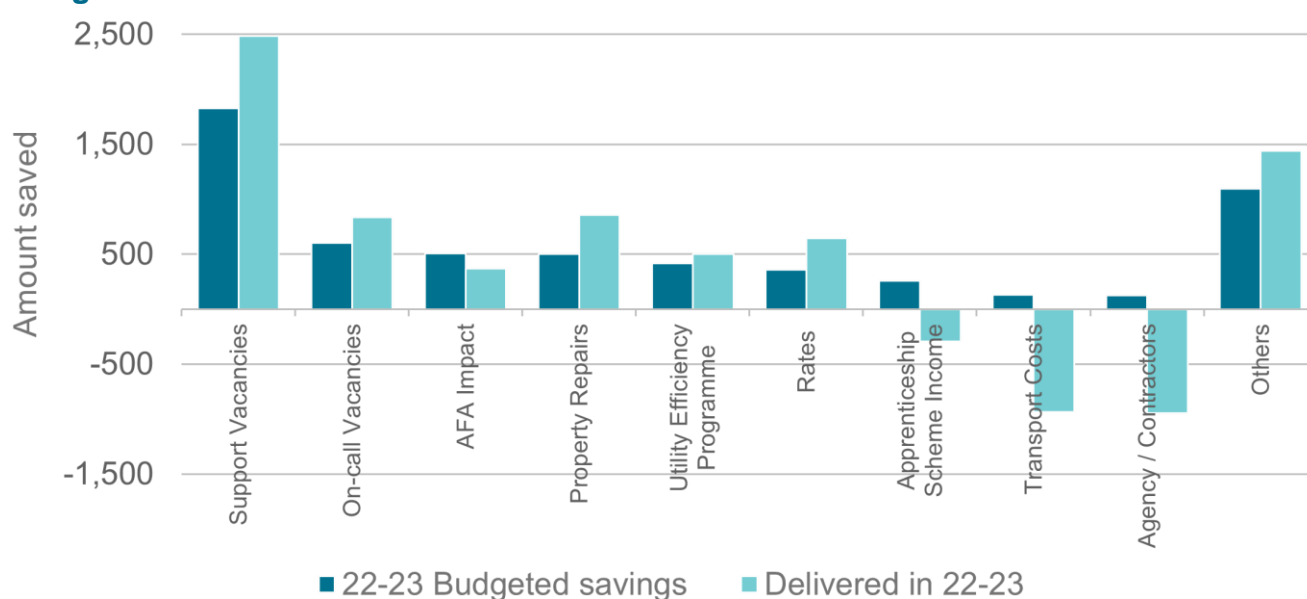
Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) £m
Resource	294.210	293.234	294.589	1.355
Capital	32.500	34.913	34.911	(0.02)
Total	326.710	328.147	329.500	1.353

Source: Initial Budget – Budget Allocation and Monitoring 2022-23 Letter from Scottish Government, 30 March 2022

Final Budget – Budget Allocation and Management 2022-23 Letter from Scottish Government, 23 August 2023

Outturn – SFRS Annual Report and Accounts 22-23

28. To balance the budget, planned savings of £5.822m were agreed and this would largely be met from support and on-call staff vacancies, non-domestic rates and property repairs. The service reported that it had achieved approx. 85% of the savings plan as indicated in [Exhibit 6](#).

Exhibit 6**Savings delivered in 2022/23**

Source: Resource and Capital Budget Outturn 22-23

Appropriate financial control arrangements in place

29. Our work has been undertaken to provide an audit opinion on the annual report and accounts. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach and the testing the operating effectiveness of specific controls, we did not identify any significant internal control weaknesses which could affect SFRS's ability to record, process, summarise and report financial and other relevant data that result in a material misstatement in the financial statements.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

30. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

31. In our view, SFRS has adequate arrangements in place to prevent and detect fraud or other irregularities. The board approved an Anti-Fraud Policy in October 2021 which is aligned to the whistle blowing policy. ARAC has corporate oversight for fraud and irregularities and is proactive in its scrutiny and challenge of the service's internal control environment and anti-fraud and corruption arrangements.

National Fraud Initiative

32. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The previous auditors recommended that the service key contact and ARAC should review the self-appraisal checklist for the NFI arrangements as a means of monitoring the body's planning and progress with future exercises.

33. An update was provided to ARAC in June 2023 when it was confirmed that the checklist will be shared with the committee as part of arrangements for the current two-year exercise which commenced in January 2023.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

SFRS is planning effectively so it can continue to deliver services in the medium and longer term. Financial modelling of scenarios is used to develop options for the medium term linked with the service's strategic review programme. The board's ten-year financial strategy is identified as good practice but requires updating to reflect the current challenging environment.

SFRS to refresh its long-term financial strategy

34. SFRS's long-term financial strategy (LTFS) covering 2017-2027 was approved by the board in December 2017. In February 2023, the board recognised that the strategy was no longer fit for purpose given the significant changes in the financial environment in recent years. The board requested that it be updated and is expected to consider a revised strategy in December 2023.

35. The LTFS framework sets out nine strategic priorities which align with the vision and priorities in the Strategic Plan. In 2017, when the strategy was approved, the Strategic Plan included five strategic priorities but within the current version of the plan, this has been extended to seven outcomes.

36. The LTFS forecasted an increase in the cash allocation to Scotland each year, but these figures produce an overall funding reduction when inflation is taken into account. The projected funding gap, if no changes were made to the operating model, was a maximum of £49.6 million and if optimistic, an opportunity to invest a further £28.9 million. The midpoint of this being a funding gap of £10 million.

37. Central to the plan was the potential to deliver savings through the creation of a single Strategic Leadership Team, Incident Command System and rationalising the Support Staff structure; as well as implementing a Resource Based Crewing model across Scotland to appropriately target their front-line resources. There were also more routine savings plans such as asset and contract rationalisation, streamlining processes, and consolidating support services and systems.

38. Transformation plans developed when the single service was developed identified recurring savings in the initial years which were intended to return cumulative savings over the 10-year period of the financial strategy. However, the additional pressures in recent years has made it challenging to achieve a balanced budget and this is likely to continue.

39. Financial modelling of scenarios is used to develop options for the medium term linked with the service's strategic review programme. The model is firmly established and is based on the service's target operating model. It therefore has the flexibility to run scenarios covering the single service or to assess the impact of changes in establishment at specified fire stations. Such information provides board members with good data to support longer term planning.

Good practice

40. We see limited examples of long-term financial strategies across the public sector. While work is underway to update the service's 10-year strategy, we recognise the existence of the plan as good practice. Different scenarios have been considered in its development providing pessimistic, optimistic and mid-point options for budget areas.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

SFRS has clear plans in place to support its vision, strategy and priorities.

SFRS has appropriate governance arrangements in place that support scrutiny of decisions.

SFRS has a clear vision and strategy

41. SFRS has a clear long-term vision, to be regarded as amongst the best fire and rescue services in the world. This vision is aligned with its strategic and operational plans. The service's Strategic Plan 2022-25 was agreed by the board in October 2022 and is supported by the Annual Operating Plan which is updated as required during the year to ensure it remains relevant.

42. The Annual Operating Plan sets out the actions SFRS will take to deliver the seven outcomes in the Strategic Plan 2022-25. There is significant attention to training and continuous improvement, as an important element of the business relates to prevention and raising awareness in communities, especially with the elderly and vulnerable within communities.

43. Progress against the operating plan is reported quarterly through a corporate risk and performance report to the strategic leadership team and the board.

Governance arrangements are appropriate

44. The key elements of the service's governance arrangements are set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

45. In 2022/23, governance arrangements have continued to include a mix of in-person and virtual meetings. There are four main committees which meet regularly to support the work of the board.

46. Papers and minutes for board and the committees are available on SFRS's website. This ensures that the public have access to the service's decisions on a timely basis. In our view, scrutiny arrangements are working well in SFRS.

47. SFRS has a code of conduct in place for board members which requires a register of interests. Members are expected to review their disclosures on a quarterly basis. SFRS also has a Board Monitoring sheet which provides a log of Board members' and Executive team's interests. Checks are carried out for any transactions between SFRS and related parties disclosed by members.

Climate change arrangements

48. The Scottish Parliament has set a target for Scotland to become net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

49. The impact of climate change in Scotland and the reduction of service carbon emissions is identified as a service priority. A major piece of related work is the greening of the fire fleet and the roll out of electric car charging points at fire stations. This will aid in acquiring more zero emission vehicles.

50. HM Fire Service Inspectorate (HMFSI) recently reported on the service's ability to manage the operational impact on fires and other weather-related emergencies. The report focused on operational activity due to climate change such as training which correlates to SFRS's wildfire strategy.

51. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

SFRS has appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes

SFRS has an effective performance management framework in place

Service performance is regularly scrutinised. Fire-related activity levels are reducing but false alarms and non-fire incidents are on the increase.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

52. [Exhibit 7](#) sets out the wider scope risks we identified in our 2022/23 audit plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 7

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Audit Response	Conclusion
<p>1. National command and control mobilising system (CCMS) – contract termination.</p> <p>In November 2022, SFRS announced that it was terminating its contract for a new CCMS with supplier, Systemes et</p>	<p>The contract was terminated as a result of the supplier's failure to meet contractual requirements. The service undertook a lessons learnt review and is implementing a number of improvement actions to strengthen the arrangements for the replacement contract.</p>	<p>No major issues were identified from our audit work in this area.</p>

Audit risk	Audit Response	Conclusion
<p>Telecommunications (Systel). The SFRS took this decision after a number of milestones had not been met in the delivery of the contract and the subsequent voluntary administration of the supplier.</p> <p>There are financial risks for the service both in relation to impairment of the asset under construction and any potential legal implications. There are also operational risks and public interest risks associated with the termination and the need for the service to secure an alternative solution.</p>	<p>The service lodged a legal claim and is expecting financial compensation.</p> <p>Expenditure of £7.125m was incurred on the project of which £1.905m related to hardware and services with retained value. The remaining £5.220m has been treated as impairment.</p> <p>The impairment calculation has been reviewed and considered appropriate.</p>	

53. The service regularly reviews a range of performance indicators. In respect of fire incidents and casualties, numbers are reducing and targets are being met with the exception of accidental dwelling fires. As shown in [Exhibit 8](#) however, false alarms and non-fire incidents (e.g. road traffic collisions and flooding) are on the increase.

Exhibit 8 Incidents analysis

	2018/19	2019/20	2020/21	2021/22	2022/23	Movement 2022-23 to 2018-19
Primary fires	10,473	9,853	9,423	9,795	9,771	● 6.7%
Secondary fires	15,697	14,090	15,132	17,574	16,628	● 5.9%
Chimneys	644	557	605	417	426	● 33.9%

	2018/19	2019/20	2020/21	2021/22	2022/23	Movement 2022-23 to 2018-19
False alarm	52,938	53,177	47,754	52,654	55,924	● 5.6%
Non-Fire	12,996	14,398	12,699	15,294	16,783	● 29.1%
Total incidents	92,748	92,075	85,613	95,734	99,532	

Primary includes dwellings, other buildings, road vehicles and others.

While false alarm includes good intent, malicious, apparatus and others.

Source: SFRS Website - Incident 2022-23 Official Statistics data

54. Over the last three years, HMFSI published 10 reports on SFRS (two during 2022/23). Each of the reports acknowledge areas of good practice at SFRS.

55. A common theme highlighted through the local inspections is the quality of the staff and managers, and furthermore acknowledgement that they build strong partnerships with communities. All the reports denote a “predominantly positive” impression and thus it appears that there is a good quality of service provided. None of the reports highlight any major concerns, but instead highlight issues and make a series of recommendations that can be addressed by management action to ensure continuous improvement of the service. The summary of the 2 reports in 2022/23 are shown in [Exhibit 9](#).

Exhibit 9

Summary of inspections carried out by HMFSI in 2022/23

Title and date	Scope	Findings	Conclusion
High Rise Buildings – firefighting arrangements: report – 27 September 2022	To assess SFRS’s arrangements and readiness to fight fires in high rise buildings in Scotland. Recommendations and comments made in the Report address Strategic level issues, as well as some issues regarding details and practice.	SFRS firms up policies and internal guidance on fire safety standards in high rise domestic buildings with a view to influencing a standard risk-based approach in the provision of - a. fire warning systems, and b. SFRS controlled evacuation systems. Belief of HMFSI Report that External plate on High Rise Buildings was adopted in	HMFSI recommends that SFRS should work with Scottish Ministers to make the change a statutory duty. Acknowledgement that SFRS have scope to improve performance and consistency and recommendations have been made as a result. However, “overall impression of the SFRS regarding firefighting in

Title and date	Scope	Findings	Conclusion
		Scotland and made Mandatory.	high rise buildings is principally positive”
Management of Health and Safety: an operational focus – 26 April 2022	To assess the effectiveness and efficiency of Health, Safety and Welfare arrangements in place within SFRS and to assess the effectiveness and efficiency of SFRS’s governance and management, policy and planning, training, and recording with an operational focus.	<p>The outcomes of the Document Conversion Project currently being carried out in the Operations function, should be evaluated and the benefits extended to other SFRS Directorates, including Training Safety and Assurance (TSA).</p> <p>SFRS should ensure that risk critical information provided to crews via the GETAC tablet is easily accessible when required, up-to-date and the information available suitable for all foreseeable incident types.</p>	<p>The SFRS has a good understanding of its duties relating to H&S, with good structures in place for developing H&S related plans and monitoring activities and investigating events.</p> <p>H&S is positively promoted across the Service by senior leaders and through our fieldwork we have been able to identify areas that staff feel are good practice.</p>

Source: HMFSI Inspections

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1.SFRS should strengthen its performance report withing the annual report and accounts. There is scope to include more focus on the year under review e.g. management of principal risks, key accounting issues.</p> <p>Risk: There is a risk that the performance report may not include all the requirements of the Financial Reporting Manual.</p>	<p>The performance report should provide a stronger narrative on the service’s ‘story’ for the financial year, be supported by financial and non-financial information and include commentary on the principal risks and challenges and their mitigation.</p>	<p>Agreed.</p> <p>As highlighted during the audit, SFRS revised the performance report to provide a stronger narrative for 2022/23. Moving forward, we will develop the performance section of the 2023/24 annual report and accounts cognisant of this audit recommendation.</p> <p>Responsible Person: Accounting Manager</p> <p>Target date: October 2024</p>

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
		Dr £000	Cr £000	Dr £000	Cr £000
Accounting Misstatements					
Pension element omitted from untaken leave accrual.	Expenditure Debtors	445		445	
Would likely be matched by an increase in SG funding.	Funding Creditors		445		445

Scottish Fire and Rescue Service

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