

# Scottish Fire and Rescue Service

Annual Audit Plan 2023/24



Prepared for Scottish Fire and Rescue Service

March 2024

---

# Contents

---

Introduction	3
Annual report and accounts	5
Wider Scope and Best Value	9
Reporting arrangements, timetable, and audit fee	11
Other matters	14

---

# Introduction

---

## Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of Scottish Fire and Rescue Service (SFRS). The main elements of our work include:

- an audit of the financial statements leading to an independent audit opinion
- audit opinions on regularity and other statutory information published within the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- an Annual Audit Report setting out conclusions.

## Respective responsibilities of the auditor and Audited Body

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and SFRS. Key responsibilities are summarised below.

### Auditor responsibilities

3. Our responsibilities as appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at SFRS. In doing this, we aim to support improvement and accountability.

5. The appointed auditor, and engagement lead, for SFRS is Michael Oliphant, Audit Director.

### Scottish Fire and Rescue Service responsibilities

6. SFRS is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view. It is also required to produce other reports in the annual report and accounts in accordance with statutory requirements and applicable guidance.

**7.** SFRS has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver its objectives.

### **Adding Value**

**8.** We aim to add value by: tailoring audit work to the circumstances of SFRS and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit, Risk and Assurance Committee; and by recommending and encouraging good practice. In so doing, we will help SFRS promote improved standards of governance, better management and decision making, and more effective use of resources.

# Annual report and accounts

## Introduction

**9.** The annual report and accounts are an essential part of demonstrating SFRS's stewardship of resources and its performance in the use of those resources.

**10.** Appointed auditors are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

**11.** We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**12.** The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2023/24 audit

**13.** We assess materiality at different levels. The materiality values for SFRS are set out in [Exhibit 1](#).

## Exhibit 1

### 2023/24 Materiality levels for Scottish Fire and Rescue Service

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of SFRS's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£10.3 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality,	£7.7 million

this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.

---

<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this threshold at 3 per cent of planning materiality	£300,000
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

---

Source: Audit Scotland

---

## Significant risks of material misstatement to the financial statements

**14.** Our risk assessment draws on our cumulative knowledge of SFRS, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

**15.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

**16.** Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. This risk has the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, management's sources of assurance over the risk, and the further audit procedures we plan to perform to gain assurance over the risk.

---

### Exhibit 2

#### 2023/24 Significant risk of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Consider the need to test journal entries and other adjustments during the period.</li> <li>Evaluate significant transactions outside the normal course of business.</li> </ul>

---

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
management's ability to override controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none"> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>• We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focussed testing of accounting accruals and prepayments.</li> </ul>

Source: Audit Scotland

**17.** As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

**18.** We have rebutted this risk for SFRS on the basis that the majority of revenue is received from the Scottish Government and can be verified with third party confirmation. There is consequently limited opportunity for fraudulent manipulation of income, and we have not identified a significant risk in this area.

**19.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

**20.** We have also rebutted this risk because there is no real incentive to manipulate payments. Included in the service's significant expenditure streams are staff costs and depreciation which are routine in nature. The other main category is other operating costs which consists of a high volume of low value transactions. The risk of material manipulation of the financial statements due to fraudulent expenditure recognition is therefore considered to be low.

**21.** As a result, we have not extended the planned audit work in these areas beyond our standard audit procedures.

## Other areas of audit focus

**22.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

**23.** The areas of specific audit focus are:

- **The value of the net pension liabilities:** 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.

SFRS participates in the Firefighters' Pension Schemes (FFPS) and the Local Government Pension Schemes (LGPS) and had a net pension liability of £3 billion in 2022/23. SFRS uses a number of actuaries for the FFPS and the eight LGPS. The valuations are prepared by reputable actuaries using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year.

Our work in this area includes using the work of an expert in accordance with International Standard on Auditing (UK) 500: Audit evidence. In this case, we draw assurances from the work of actuaries and review the assumptions they made in determining the valuations.

- **The value of property, plant and equipment (PPE):** There is a degree of subjectivity in the measurement and valuation of PPE due to specialist and management assumptions adopted. Changes in the assumptions could result in material changes in the valuation.

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. Our work in this area includes assessing the approach adopted to assess the risk that assets not subject to valuation are not materially misstated and consider the robustness of this approach.

## Regularity

**24.** Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

**25.** We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.



---

# Wider Scope and Best Value

---

## Introduction

**26.** The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. This requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

**27.** In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, and comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by SFRS. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how SFRS demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

## Wider scope risks

**28.** We have identified significant risks in the wider scope areas set out in [Exhibit 3](#). This exhibit sets out the risks, management's sources of assurance for the risks, and the further audit procedures we plan to perform to gain assurances over the risks.

## Exhibit 3

### 2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
<p><b>1. National command and control mobilising system (CCMS) – CCF Phase 2 New Mobilising System.</b></p> <p>In November 2022, SFRS terminated its contract for a new CCMS. A new tender process is now in effect with an estimated delivery date of December 2025.</p> <p>There are financial risks for the service both in relation to delivering an adequate system and issues that might occur before the new system is delivered. There are also operational risks from meeting the priorities of SFRS in ensuring the new system improves day-to-day work and public safety.</p>	<ul style="list-style-type: none"> <li>• Ongoing discussions by the board regarding the progress of tender process and new Mobilising Systems.</li> <li>• Procurement process including engagement with the National Fire Chiefs Council (NFCC) Procurement Hub.</li> <li>• Project management approach including full business case approval through the Change Portfolio Investment Group (CPIG).</li> <li>• Project governance and assurance process.</li> <li>• External review and advice.</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion with appropriate officers.</li> <li>• Review reports presented to the board regarding the new mobilising system.</li> <li>• Ensure adequate process are followed and lessons learnt from previous cancelled contracts are considered so that this is not repeated.</li> </ul>

Source: Audit Scotland

**29.** Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Auditor General for Scotland to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

## Best Value

**30.** [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the SFRS.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**31.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with relevant officers to confirm factual accuracy.

**32.** We will provide:

- an Independent Auditor's Report to SFRS, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts.
- SFRS and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

**33.** [Exhibit 4](#) outlines the target dates for our audit outputs set by the Auditor General for Scotland. In determining the target reporting date, due regard is paid to meeting the statutory deadline for laying the accounts of 31 December 2024.

## Exhibit 4 2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	20 March 2024	26 March 2024
Independent Auditor's Report	TBC	TBC
Annual Audit Report	TBC	TBC

Source: Audit Scotland

**34.** All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), and any other outputs on matters of public interest, will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



## Timetable

**35.** To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

**36.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 5

#### Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	16/08/2024
Latest date for final clearance meeting with the Director of Finance (or equivalent)	11/10/2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	11/10/2024
Agreement of audited and unsigned annual report and accounts	21/10/2024
Issue of Annual Audit Report to those charged with governance.	23/10/2024
Signed Independent Auditor's Report	31/10/2024

Source: Audit Scotland

## Audit fee

**37.** In determining the audit fee, we have taken account of the risk exposure of SFRS and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £149,680 as set out in [Exhibit 6](#).

---

**Exhibit 6****Audit fees (including VAT)**

<b>Fee component</b>	<b>Fees (£)</b>
External Auditor Remuneration	136,460
Pooled costs	1,460
Sectoral Cap Adjustment	11,760
2023/24 Audit fee	149,680
<b>Total 2023/24 fee</b>	<b>149,680</b>

Source: Audit Scotland

---

**38.** In setting the fee for 2023/24, we have assumed that SFRS has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

---

# Other matters

---

## Internal audit

**39.** It is the responsibility of SFRS to establish adequate internal audit arrangements. Internal audit for SFRS is currently provided by Azets. We will review the internal audit plan and the results of internal audit's work.

**40.** While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

## Independence and objectivity

**41.** The appointed auditor is independent of SFRS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

**42.** Audit Scotland has robust arrangements in place to ensure compliance with the Ethical Standard including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**43.** The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of SFRS.

## Audit Quality

**44.** Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

**45.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

**46.** To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

**47.** Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

# Scottish Fire and Rescue Service

## Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

**For the latest news follow us on social media or [subscribe to our email alerts.](#)**



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)