

Scottish Fire and Rescue Service

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

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Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified. This means that the auditor is 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 Good progress was made against our prior year recommendation, but a small number of actions are yet to be completed to address wider scope recommendations raised by previous auditors.

Financial management

- 3 Appropriate and effective arrangements for financial management are in place, with regular resource and capital monitoring reports presented to the Board.
- 4 SFRS reported a small overspend of £0.9 million against its budget. This is within the financial limit permitted by the Scottish Government's Grant-in-Aid allocations for 2023/24.
- 5 Key controls within the main financial systems were operating effectively, while standards for the prevention and detection of fraud remain appropriate.
- 6 SFRS aims to have external cyber security accreditation by March 2025.

Financial sustainability

- 7 SFRS needs to set out a medium-term financial plan to outline the potential issues impacting its financial position and sustainability. This will support effective decision making across the service.
- 8 Increased funding has been made available for 2024/25, but efficiencies in key areas are still required.

Vision, leadership, and governance

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

Use of resources to improve outcomes

- 11 Effective and appropriate arrangements are in place to ensure that resources are deployed to improve strategic outcomes and deliver continuous improvements in priority services.
- 12 Performance against Key Performance Indicators improved, but further progress is required to increase the percentage of indicators where target performance levels are being met.
- 13 SFRS reporting of Key Performance Indicators could be further improved through the inclusion of target performance levels for all indicators.

Introduction

1. This report summarises the findings from the 2023/24 audit of the Scottish Fire and Rescue Service (SFRS). The scope of the audit was set out in an Annual Audit Plan presented to the March 2024 meeting of the Audit and Risk Assurance Committee (ARAC). This Annual Audit Report comprises:

- significant matters arising from an 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.

Responsibilities and reporting

3. 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 accounts direction from the Scottish Ministers. SFRS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

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

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

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

Auditor Independence

7. 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 2023/24 audit fee of £149,680 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

8. We would like to thank ARAC members, executive directors, and other staff, particularly those in finance, for their cooperation and assistance this year.

1. Audit of 2023/24 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

Audit opinions on the annual report and accounts are unmodified. This means that the auditor is 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.

Good progress was made against our prior year recommendation, but a small number of actions are yet to be complete to address wider scope recommendations raised by previous auditors.

Audit opinions on the annual report and accounts are unmodified

9. The Audit and Risk Committee (ARAC) scrutinised the annual report and accounts for the year ended 31 March 2023 on 29 October 2024 and, thereafter, recommended them for approval by the board on 31 October 2024. 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 Government Financial Reporting Manual.

Overall materiality was assessed as £10.3 million

10. 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.

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

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£10.3 million
Performance materiality	£7.7 million
Reporting threshold	£300,000

Source: Audit Scotland, Annual Audit Plan 2023/24

12. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

13. Performance materiality 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. Performance materiality was set at 75 per cent of overall materiality, reflecting our assessment of the risk profile of the organisation and the number of recommendations and findings from our prior year audit.

14. It is our responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

15. Under ISA (UK) 260, we communicate significant findings from the audit to the ARAC, including our view about the qualitative aspects of the service's accounting practices.

16. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those judged to be of most significance.

17. Our audit work did not identify any significant findings that we are required to bring to your attention.

Audit work responded to the risks of material misstatement we identified in our annual report plan

18. Under ISA (UK) 260 we communicate significant findings from the audit to the ARAC, including our view about the qualitative aspects of the service's accounting practices.

19. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance.

20. 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 2023/24 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

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Tested a sample of journals with a focus on risk areas.</p> <p>Tested samples of accruals and prepayments.</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>Confirmed through substantive testing that income and expenditure transactions around the year-</p>	<p>Based on the audit work undertaken, there was no evidence of management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>end have been accounted for in the correct financial year.</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>	

Source: Audit Scotland

21. In addition, we identified “areas of audit focus” in our 2023/24 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

Audit risk	Assurance procedure	Results and conclusions
<p>1. 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 £3 billion in 2022/23. SFRS uses a number of actuaries for the FFPS and the 8 LGPS. The valuations are prepared by reputable actuaries using standard methodologies and</p>	<p>We evaluated the competence, capabilities and objectivity of the actuaries.</p> <p>Through 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 SFRS 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>Considered the adequacy of the disclosures in the financial statements with actuarial valuations.</p>	<p>No issues were identified from our audit work in this area. We are therefore satisfied with the approach taken to determine the pension position is reasonable.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>no significant changes in the membership of the scheme or accrued benefits are expected in the current year.</p>		
<p>2. The value of property, plant and equipment (PPE)</p> <p>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.</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>We assessed the approach adopted to assess the risk that assets not subject to valuation are not materially misstated and considered the robustness of this approach.</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>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>No issues were identified from our audit work in this area.</p>

Source: Audit Scotland

Non-material adjustments were identified and corrected within the financial statements

22. The audit team identified disclosure misstatements in relation to IFRS 16, where SFRS is considered a lessee. SFRS were required to make a number of changes to ensure their leases disclosures were in line with IFRS 16 and the FReM. Changes included consolidating all lease information into one note; disclosing their lease liabilities information and corresponding maturity analysis; correcting terminology used throughout the statements; and adding detail regarding amounts charged to the Statement of Comprehensive Net Expenditure. All adjustments were made, and the disclosures are now in line with IFRS 16 and the FReM.

23. In addition to the disclosure misstatements identified by the audit team, SFRS identified prior year misstatements in relation to the recognition of low value leases. In 2023/24, SFRS undertook a full review of all leases.

24. As a result of this review, SFRS identified incorrect accounting in relation to their application of the IFRS 16 low value recognition exemption. This exemption allows leases of low-value underlying assets to be exempt from IFRS 16 accounting requirements. A number of SFRS leases were incorrectly accounted for as low value leases when they were not. SFRS made the non-material corrections and restated their 2022/23 financial information. The corrections mean that leases are now correctly accounted for in 2023/24.

SFRS needs to improve its disclosure in relation to its position as a lessor under IFRS 16

25. The audit team considered the disclosures included in the annual report and accounts in relation to SFRS' position as a lessor under IFRS 16. Our work included a review of 41 different lease agreements with a total yearly receivable sum of £765,000.

26. While the disclosures in the main financial statements are correct, IFRS 16 requires specific disclosures within the notes to the accounts that SFRS have not fully complied with. This includes the separate disclosure of leased assets within the Property, Plant and Equipment (PPE) note and a maturity analysis of lease payments within the Operating Leases note.

27. We are satisfied that the omission of these disclosure requirements does not represent a material misstatement.

Recommendation 1

Management should ensure that IFRS 16 disclosure requirements in relation to SFRS's position as a lessor are fully complied with in future years.

The unaudited annual report and accounts were received later than the date agreed in the audit timetable

28. The unaudited annual report and accounts were not received in line with the agreed audit timetable on 16 August 2024. Instead, the financial statements and notes were received two weeks later on 30 August 2024. This did not include the front section of the report. The first full version of the unaudited report and accounts was not provided until 13 September 2024.

29. While we understand the resourcing challenges facing SFRS, the delayed provision of the annual report and accounts did present a significant challenge to the audit team. We will continue to work closely with the finance team at SFRS, and in future years expect the full unaudited annual report and accounts package to be provided within the agreed timetable.

Recommendation 2

SFRS should work towards preparing a comprehensive unaudited annual report and accounts for submission to audit in line with the agreed timetable.

SFRS has made good progress against the prior year recommendation

30. In our 2022/23 we recommended that SFRS should strengthen its performance report within the annual report and accounts. We noted that SFRS could include a stronger narrative on the service's 'story' for the financial year, and that this could be supported by financial and non-financial information. SFRS agreed to develop the performance section of the 2023/24 annual report and accounts in line with the recommendation.

31. We note the improvements made to the performance section of the 2023/24 annual report and accounts. These include overview sections detailing the key risks and providing an analysis of the service's performance for the year. Details regarding the prior year recommendation, including the progress made by the service, are included in [Appendix 1](#).

A small number of actions are yet to be complete to address wider scope recommendations raised by previous auditors

32. SFRS had a number of outstanding wider scope actions that were raised by previous auditors and that continued to be presented to ARAC meetings. During the year we reviewed these actions. All actions have now been closed apart from the following:

- **1.3 – Financial Reporting** – As part of the response to this action, SFRS were to produce a high-level summary of how resources are allocated against the service's outcomes. It was also to consider developing financial reporting against climate change. This is intended to facilitate learning and would support the Scottish Government's objectives around net zero. We will consider the progress made by SFRS in responding to this action as part of our normal audit work in future years.
- **2.3 – Medium to Long Term Financial Planning** – This action has been superseded as documented at [paragraph 57](#).
- **4.5 – Equalities** – The original action agreed by SFRS was for annual reporting on equality outcomes to include performance against targets and trend information. SFRS has advised that work against the equality outcomes is ongoing. We will consider the progress made by SFRS on equalities and report accordingly as part of our normal audit work in future years.

33. We will continue to monitor the above actions as part of our annual audit process. Any significant findings will be brought to the attention of ARAC as appropriate. Please note that the number references above are to SFRS's internal action plan.

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

Appropriate and effective arrangements for financial management are in place, with regular resource and capital monitoring reports presented to the Board.

SFRS reported a small overspend of £0.9 million against its budget. This is within the financial limit permitted by the Scottish Government's Grant-in-Aid allocations for 2023/24.

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

SFRS aims to have external cyber security accreditation by March 2025.

SFRS has effective and appropriate arrangements to secure sound financial management

34. SFRS reports to its board at each scheduled meeting regarding its resource and capital monitoring. Monitoring reports are detailed and this gives the board the opportunity to adequately scrutinise these reports when received. The reports also monitor progress towards savings targets and provide analysis of the changes during the period available.

35. A quarterly performance report is also presented to the board. This provides an overview of a range of indicators and alerts stakeholders to deteriorating or improving situations.

36. SFRS approved its 2023/24 resource budget in March 2023. The resource budget report presented to the board at this time shows that the budget was set at £308 million, an increase of around £15 million on the previous year. Savings of approximately £11 million were required to deliver the approved budget.

37. Savings were to be met through a range of options including reductions in employee costs, transport costs, supplies & services and property costs as shown in [Exhibit 4](#).

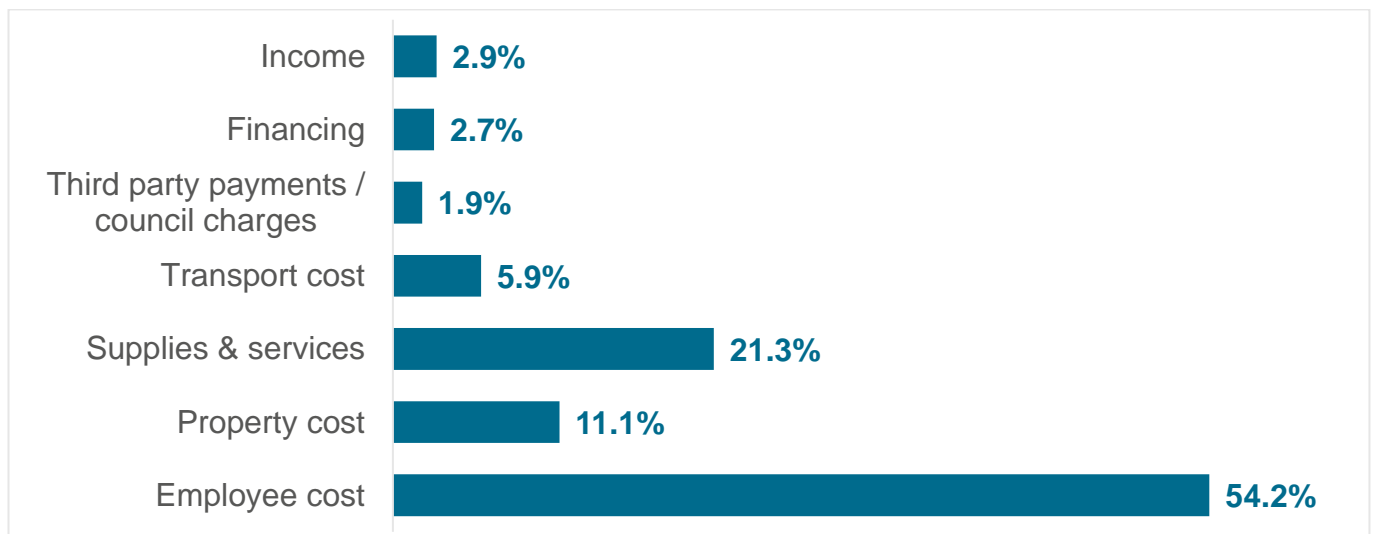
38. SFRS had a full-time equivalent workforce of 7,032 at 31 March 2024 (31 March 2023 – 7,619) against a target operating model of 8,330 (31 March 2023 – 8,552). While the service is operating at 15 per cent below its target capacity, the high-level comparison is impacted by legacy target operating model requirements for the retained and volunteer duty systems (on-call firefighters). These requirements are currently under review.

39. SFRS has advised that across the remainder of the workforce, the gap is less than 4 per cent. This reflects the action that was taken in October 2023 to temporarily remove 10 wholtime fire appliances. This reduced the target operating model by 166 wholtime firefighter posts in order to achieve the required budget savings. Management has confirmed that work is ongoing to formally determine how this budgetary saving will be delivered on a permanent basis. This process will involve a public consultation exercise.

40. Management must ensure there is an effective balance between the needs of the service and the need to remain within financial constraints when determining changes to its target operating model.

Exhibit 4

Profile of budgeted savings for 2023/24



Source: Resource and Capital Budget 2023/24 (March 2023 Board Meeting)

SFRS reported a small overspend of £0.8 million against its budget of £337.3 million.

41. The main financial objective for SFRS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. Overall, the service reported an overspend of £0.8 million ([Exhibit 5](#)). This was an improved position on the February 2024 forecast which estimated an overspend of £1.1 million. The actual overspend was within a financial limit permitted by the Scottish Government's Grant-in-Aid allocations for 2023/24.

Exhibit 5 Performance against fiscal resource in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	304.2	304.4	305.3	0.9
Capital	32.5	32.7	32.7	0
Capital right of use assets	0.2	0.2	0.1	(0.1)
Total	336.9	337.3	338.1	0.8

Source: Initial Budget – Budget Allocation and Monitoring 2023/24 Letter from Scottish Government, March 2023

Final Budget and Outturn – SFRS Annual Report and Accounts 2023/24

42. The reserves of SFRS show a £13 million increase for General Reserves and a £21 million increase for Revaluation reserves. Although the Pension reserve is in debit, this reduced by approximately £237 million from the 2022/23 financial year. This was primarily due to a reduction in the present value of liabilities.

SFRS has appropriate financial control arrangements in place

43. As part of our work, we reviewed the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach and tested the operating effectiveness of specific controls. We did not identify any internal control weaknesses which could affect SFRS's ability to record, process, summarise and report financial and other relevant data which would result in a material misstatement in the financial statements. We also did not identify any significant deficiencies when testing the operating effectiveness of specific controls.

SFRS aims to have external cyber security accreditation by March 2025

44. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

45. As part of our audit work, we considered SFRS' arrangements for managing and mitigating cyber security risks. The Scottish Government's public sector Cyber Security Guidance recommends that external cyber security accreditation is obtained to provide additional assurance of Cyber Security arrangements.

46. Management has advised that SFRS is currently working to have external accreditation in place by the end of March 2025. Our audit work has confirmed that annual penetration testing is carried out by an external provider, and that results are reported to the board.

47. Despite the mitigating factors outlined above, it is important that external cyber security accreditation is obtained as planned by March 2025, to provide additional assurance with regards the service's cyber arrangements.

Recommendation 3

Management should ensure that external cyber security accreditation is obtained as planned by March 2025, to provide additional assurance with regards the service's cyber arrangements.

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

48. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. 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.

49. During 2023/24 management alerted the ARAC to two separate incidents involving alleged fraudulent activity. The first involved collusion by serving officers to fraudulently claim on-call allowances at a station. Police Scotland were alerted to the alleged activity and a fraud action plan was developed.

50. The individuals involved in the incident have since resigned from the service. Following the resignations, further investigation into the circumstances surrounding the incident were progressed following consideration of the matter at the meeting of ARAC in March 2024.

51. The second incident involved alleged theft from a third-party Youth Volunteer Scheme bank account by a serving officer. Following investigation a disciplinary hearing was recommended. A comprehensive review of all financial arrangements within Youth Volunteer Schemes across SFRS was also advised. Police Scotland were alerted to the incident.

52. It is imperative that SFRS investigate all incidents of alleged fraudulent activity. This not only provides assurance to management and the board that internal controls are operating effectively, but helps to facilitate improvement through the lessons learned.

53. From the work we have undertaken during the year, we are satisfied that SFRS has adequate arrangements in place to prevent and detect fraud or other irregularities.

National Fraud Initiative

54. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. SFRS participates in this biennial exercise. The 2022/23 exercise concluded during 2023/24 financial year and the final report was published in August 2024.

55. The report identified that outcomes totalling £21.5 million were identified in Scotland through the 2022/23 exercise. This includes £5.7 million of actual savings as a result of overpayments and additional income; £8.9 million of forward savings estimates from overpayments, additional income and prevented fraud; and £6.8 million in notional outcome estimates. NFI in Scotland participation started in 2006/07, and since this date outcomes of around £180 million have been achieved.

56. Three errors were identified as a result of the NFI exercise at SFRS. Two of these related to duplicate payments, while SFRS itself identified one where an individual had been incorrectly entered as sick but was working elsewhere. All money relating to these errors has been recovered. A total of 12 matches remain under investigation by SFRS. We rated SFRS's NFI arrangements as Green (on a Red, Amber Green (RAG) rating). This means that we consider the arrangements to be satisfactory and are satisfied with the processes in place to follow-up the issues identified.

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 needs to set out a medium-term financial plan to outline the potential issues impacting its financial position and sustainability. This will support effective decision making across the service.

Increased funding has been made available for 2024/25, but efficiencies in key areas are still required.

SFRS needs to develop a medium-term financial plan

57. SFRS has a long-term financial strategy (LTFS) covering the period 2017 to 2027. In February 2023 the board requested that the strategy be updated to reflect the significant changes in the financial environment in recent years.

58. SFRS management has advised that it intends to set out a medium-term financial plan (MTFP) prior to updating the LTFS. Work on this has commenced and is due to be progressed alongside the development of the new strategic plan, taking account of the developing strategic service review programme, which is expected to impact on resource and capital expenditure requirements.

59. While we recognise the medium-term modelling that currently informs the budget setting process, it is essential that SFRS sets out a MTFP at the earliest opportunity. This should cover a five-year period and outline the potential issues impacting the service's financial position and sustainability, including income, funding and expenditure projections; cost pressures; the impact of policy or legislative requirements; and changes to its assets and liabilities. It should also include scenario planning to highlight different options to allow for varying degrees of uncertainty.

60. Without a clear financial framework in place, there is a risk that financial decision-making is focused on the short-term. This would increase the risk that decisions do not adequately consider sustainability risks or future service transformation. The MTFP should be agreed by both the strategic leadership team and the board.

61. The recommendation below supersedes one of the wider scope actions referred to at [paragraph 32](#).

Recommendation 4

SFRS should set out a medium-term financial plan at the earliest opportunity. The MTFP should be agreed by both the strategic leadership team and the board. This will support effective decision making across the service.

Increased funding has been made available for 2024/25, but efficiencies in key areas are still required

62. The Scottish Government has confirmed that SFRS's 2024/25 budget has increased, with £393.4 million allocated to deliver services. This compares to a final budget of £364.1 million in 2023/24.

63. The resource budget now totals £317.3 million (2023/24 - £303.7 million), with the increase supporting rising costs linked to inflation and pay increases.

64. A total of £43 million (2023/24 - £32.7 million) is included to support capital projects including property developments, vehicles and ICT equipment. A total of £33 million (2023/24 - £27.6 million) is allocated for non-cash items such as depreciation.

65. As at 31 August 2024, based on the information provided to us by SFRS, there is a projected underspend of £1.2 million against the revised 2024/25 budget. This position includes projected underspends of £0.9 million on employee costs, £0.6 million on supplies and services and £0.4 million on transport costs. Property costs are forecast to overspend by £0.7 million.

66. SFRS has advised that there are a number of risks related to this underspend such as the outstanding agreement of the support staff pay award for 2024/25; the operational vacancies that means incurring significant overtime is a possibility; and the age of the property estate which could result in higher repairs and maintenance costs.

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 implement its vision, strategy and priorities.

Effective and appropriate governance arrangements are in place that support effective scrutiny of decisions made by the board.

SFRS has a clear vision and strategy

67. SFRS has a long-term financial strategy covering the period 2017 to 2027 which is linked to the long-term goals set out in the key outcomes of the strategic plan. The strategic plan covers the period 2022 to 2025 and outlines the high-level outcomes that SFRS aims to achieve in working towards its overall purpose.

68. There is also an annual operating plan and this is aligned with the strategic plan. There are seven strategic outcomes set out in the strategic plan and these are followed up in the Annual Operating Plan.

69. The Annual Operating Plan details the milestones for each of the strategic outcomes and corresponding start dates and dates for achievement of milestones. Directorates may naturally fall into just one of the seven key areas, but it is important to note that no single Directorate is responsible for the sole delivery of any of the strategic outcomes.

Governance arrangements are effective and appropriate

70. SFRS governance arrangements have been set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are effective and appropriate.

71. There is adequate scrutiny by the main committees in SFRS. Reports are provided early to give enough time to review before meetings. On average, ARAC meetings are held quarterly which enables the various committees to support the board.

72. All public board papers can be found on SFRS's website which confirms their approach to openness and transparency. This means that the public has access to papers and decisions that have been made by the committee. The papers include information such as the Resource and Capital Monitoring budget which provides financial details of actual spend and savings made against budget.

73. An annual performance review report was completed for 2023/24. The report is structured around the seven outcomes of the SFRS Strategic Plan and aligns to those in the Fire and Rescue Framework for Scotland.

74. This report demonstrates whether SFRS are meeting the priorities within the Fire and Rescue Framework for Scotland 2022. The report also shows the key activities that have been carried out to meet these priority requirements during the year. It also highlights the good performance achieved through the Strategic Plan and the Annual Operating Plans.

75. There were no risk areas highlighted in the annual performance review report. The report was shared with the Scottish Government as part of the September 2024 annual performance review.

Climate change arrangements

76. The Scottish Parliament has set a legally binding target of becoming net zero by 2045. 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.

77. SFRS is committed to this and a Carbon Management Plan 2020 to 2025 is in place. Under this plan SFRS intend to transition 50 per cent of its light fleet to electric vehicles by 2025 and 100 per cent by 2030.

78. In a report presented to the board in June 2024, it was stated that the service continued to increase the number of electric light fleet cars and vans. Also, the next few months of 2024/25 will see completion of further vehicles of these types.

79. 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

Effective and appropriate arrangements are in place to ensure that resources are deployed to improve strategic outcomes and deliver continuous improvements in priority services.

Performance against Key Performance Indicators improved, but further progress is required to increase the percentage of indicators where target performance levels are being met.

SFRS reporting of Key Performance Indicators could be further improved through the inclusion of target performance levels for all indicators.

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

80. [Exhibit 6](#) sets out the wider scope risks relating to the Use of Resources to Improve Outcomes identified in our 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 6

Risks identified from my responsibility under the Code of Audit Practice

Audit risk	Audit Response	Conclusion
<p>1. National command and control mobilising system (CCMS) – CCF Phase 2 New Mobilising System.</p> <p>In November 2022, SFRS terminated its contract for a new CCMS. A new tender process is now in effect with</p>	<p>A report presented to the board confirmed the tendering process and this showed if it would resolve the problems they had and what they had learnt from the contract they had for the previous CCMS with Systel which was terminated.</p>	<p>No major issue identified from our audit work in this area.</p> <p>The Board meeting held in August 2024 approved the full business case for the New Mobilising System project. The commercial case confirmed that, following two procurement exercises from</p>

Audit risk	Audit Response	Conclusion
an estimated delivery date of December 2025.	<p>This was a completed Lessons Learned activity spreadsheet which was looked at as part of planning.</p> <p>There was also a report presented to the project board meeting on 30 January 2024 which highlighted important milestones dates i.e. when the tender was due to be awarded, progress updates and Risk & issues.</p>	which no compliant bids were received, the service would now move to award a contract based on Regulation 33 (1) (c) of the Public Contracts (Scotland) Regulations 2015 due to extreme urgency.

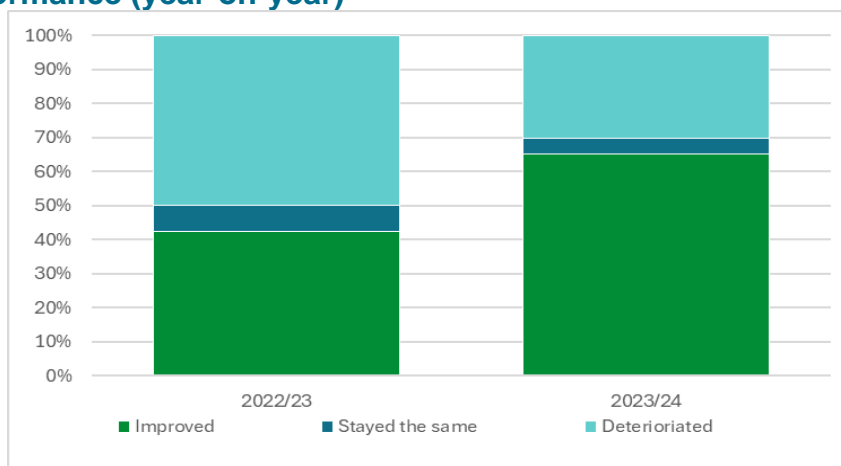
Source: Audit Scotland, Annual Audit Plan 2023/24

Performance levels improved compared to the previous year

81. SFRS's Annual Performance Review Report 2023/24 is structured around the seven strategic outcomes of the SFRS Strategic Plan 2022-25. The 2023/24 report shows 65 key performance indicators (KPIs) with 56 reviewed quarterly and nine annually. SFRS continued to monitor key performance indicators throughout the year with quarterly performance reported to the Board for scrutiny.

82. Our analysis of the KPIs shows improvement against the previous year. As indicated in [Exhibit 7](#), 65 per cent of KPIs improved year-on-year compared to improvement in 42 per cent of KPIs in 2022/23. Our analysis at [Exhibit 8](#) also shows that in 2023/24 SFRS achieved its target performance level in 52 per cent of measurable KPIs, compared to 40 per cent in the previous year.

Exhibit 7 KPI performance (year-on-year)



Source: Audit Scotland analysis of performance information in SFRS 2023/24 unaudited Annual Report and Accounts

83. While SFRS performance is trending in the right direction, work is required to ensure the improvements shown are sustainable and to increase the percentage of KPIs for which target performance levels are achieved. We will continue to monitor the performance of the service as part of our annual audit process.

Exhibit 8 KPI performance (against target)



Source: Audit Scotland analysis of performance information in SFRS 2023/24 unaudited Annual Report and Accounts

84. Our work on the KPIs identified a number of indicators where no target is included. Progress against these indicators is ‘tracked’, but there is no target performance level to assess whether performance is in line with expected levels. SFRS should consider including targets for these KPIs to provide a clearer understanding of performance in areas.

Recommendation 5

SFRS should include target performance levels for all relevant KPIs by March 2025. This will provide a clearer understanding of the performance being delivered.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. IFRS 16 lessor disclosure requirements</p> <p>SFRS has not included all disclosure requirements in relation to its position as a lessor under IFRS 16.</p> <p><i>Risk – Disclosure requirements under IFRS 16 are not being met.</i></p>	<p>Management should ensure that IFRS 16 disclosure requirements in relation to SFRS’s position as a lessor are fully complied with in future years.</p> <p>Paragraph 25</p>	<p>Accepted</p> <p>Appropriate actions will be taken to ensure compliance with IFRS 16.</p> <p>Head of Finance & Procurement</p> <p>October 2025</p>
<p>2. Submission of unaudited annual report and accounts</p> <p>SFRS did not provide a full version of the unaudited annual report and accounts for audit until 13 September 2024, almost one month later than the planned timetable.</p> <p><i>Risk – The planned timetable for auditing the annual report and accounts cannot be achieved.</i></p>	<p>SFRS should work towards preparing a comprehensive unaudited annual report and accounts for submission to audit in line with the agreed timetable.</p> <p>Paragraph 28</p>	<p>Accepted</p> <p>SFRS will work towards providing the full draft annual report and accounts in line with the agreed timetable.</p> <p>Head of Finance & Procurement</p> <p>October 2025</p>
<p>3. Cyber security arrangements</p> <p>While annual penetration testing is undertaken, SFRS does not currently hold any external cyber security accreditation as recommended in the Scottish</p>	<p>Management should ensure that external cyber security accreditation is obtained (as planned by March 2025) to provide additional assurance with regards the service’s cyber arrangements.</p> <p>Paragraph 44</p>	<p>Accepted</p> <p>Work is progressing for SFRS to gain cyber security accreditation by March 2025.</p> <p>Head of Information and Communication Technologies</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Government's Cyber Security Guidance.</p> <p><i>Risk – SFRS are unable to demonstrate the effectiveness of its cyber security arrangements.</i></p>		<p>March 2025</p>
<p>4. Medium term financial planning</p> <p>SFRS intends needs to set out a medium-term financial plan to outline the potential issues impacting its financial position and sustainability. This will support effective decision making across the service.</p> <p><i>Risk – The absence of a medium-term financial plan can result in decisions being taken by management without a full understanding of the medium and longer term financial consequences.</i></p>	<p>SFRS should set out a medium-term financial plan at the earliest opportunity. The MTFP should be agreed by both the strategic leadership team and the board. This will support effective decision making across the service.</p> <p>Paragraph 57</p>	<p>Accepted</p> <p>This work has commenced and will be developed alongside the next Strategic Plan, taking account of the developing strategic service review programme.</p> <p>Director of Finance & Contractual Services</p> <p>March 2025</p>
<p>5. Key Performance Indicators (KPIs)</p> <p>SFRS reporting of Key Performance Indicators could be further improved through the inclusion of target performance levels for all indicators.</p> <p><i>Risk – There is a risk that SFRS is unable to effectively demonstrate the level of performance it is achieving in key areas.</i></p>	<p>SFRS should include target performance levels for all relevant KPIs by March 2025. This will provide a clearer understanding of the performance being delivered.</p> <p>Paragraph 84</p>	<p>Partially accepted</p> <p>KPIs can be meaningful and useful without a target therefore the SFRS will review KPIs to ensure targets are assigned where relevant. A wider review of performance and how this is measured and reported is scheduled to take place during 2024/25 and will be agreed in May 2025, meaning amendments will be reflected in 2025/26.</p> <p>Director of Strategic Planning, Performance and Communications</p> <p>March 2026</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 1. Performance Reporting</p> <p>SFRS should strengthen its performance report within 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><i>Risk – There is a risk that the performance report may not include all the requirements of the Financial Reporting Manual.</i></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>October 2024</p>	<p>Implemented</p> <p>The performance report has been adequately updated in line with the prior year recommendation.</p>

Scottish Fire and Rescue Service

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