

Scottish Fire and Rescue Service

2024/25 Annual Audit Report



Prepared for Scottish Fire and Rescue Service and the Auditor General for Scotland
October 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2 The annual report and accounts were provided two weeks later than agreed, presenting a significant challenge to the audit team to meet the planned timetable.
- 3 Audit adjustments totalling £20.7 million were made to the unaudited financial statements to correct errors identified in non-current assets and pension disclosures.
- 4 A non-material misstatement of £1.7 million relating to the incorrect application of depreciation has not been corrected in the financial statements.
- 5 SFRS has made some progress on implementing prior year recommendations, however the action relating to external cyber accreditation has not yet been obtained.

Wider scope and Best Value audit

- 6 SFRS has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - 7 SFRS has effective and appropriate arrangements in place for securing Best Value.
 - 8 SFRS delivered actual savings of £8.5 million in 2024/25 against a target of £9 million. The majority of savings were achieved in employee costs.
 - 9 The finance team continues to experience a high turnover of staff with several vacancies remaining unfilled. This places additional pressure on existing staff.
 - 10 SFRS has developed a medium-term financial plan. This has been reviewed by the Strategic Leadership Team and will be presented to the Strategic Planning and Change Committee in November 2025.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Scottish Fire and Rescue Service's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Scottish Fire and Rescue Service, hereafter referred to as 'SFRS' and the Auditor General for Scotland and will be published on [Audit Scotland's website](#) in due course.

Auditor independence

3. We can confirm that the appointed auditor and audit team are independent of SFRS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the appointed auditor or the rest of the audit team, including no provision of non-audit services.

Acknowledgements

4. We would like to thank SFRS and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment to 2026/27.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on SFRS's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on SFRS's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of SFRS and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on SFRS's arrangements for the wider scope areas and Best Value.

8. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during audit work and may not be all that exist. Communicating these does not absolve SFRS from its responsibilities outlined below.

SFRS's responsibilities

9. SFRS has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for SFRS that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

10. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to SFRS and the Audit and Risk Assurance Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

The annual report and accounts were provided two weeks later than agreed, presenting a significant challenge to the audit team to meet the planned timetable.

Audit adjustments totalling £20.7 million were made to the unaudited financial statements to correct errors identified in non-current assets and pension disclosures.

A non-material misstatement of £1.7 million relating to the incorrect application of depreciation has not been corrected in the financial statements.

SFRS has made some progress on implementing prior year recommendations, however the agreed action relating to external cyber accreditation has not yet been obtained.

Audit opinions on the annual report and accounts

11. The Audit and Risk Assurance Committee (ARAC) scrutinised the annual report and accounts on 23 October 2025. At this meeting ARAC members recommended approval by the board, with formal approval provided at the board meeting on 30 October 2025.

12. The Independent Auditor's Report, included in SFRS's annual report and accounts, was signed on 31 October 2025. This reports that these were free from material misstatement with no modifications across each audit opinion.



The annual report and accounts were provided late

13. The unaudited annual report and accounts were not received in line with the agreed audit timetable on 31 August 2025. Instead, they were provided two weeks late on 12 September 2025. This is the third consecutive year within the current audit appointment where the annual reports and accounts have not been made available for audit within the planned timescales.

14. The full working papers package was also due to be provided by 31 August 2025. While some information was provided by the agreed date, key areas were not available and were provided over the subsequent two-week period to 12 September 2025.

15. SFRS has advised that the finance team faced significant challenges this year which contributed to the delay, including changes in key positions.

16. The failure to deliver the accounts package on time is reflected in SFRS being unable to action the agreed prior year recommendation ([prior year recommendation 2](#)). This recommendation has been updated and we would expect significant progress to be made next year.

An additional audit fee has been charged due to delays and additional work required in key audit areas

17. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £152,580. We determine our audit fee based on the timely receipt of the unaudited annual report and accounts and working papers, as well as on planned levels of audit work.

18. In addition to the delays noted above significant issues were identified in non-current assets and pension disclosures which resulted in additional audit work being undertaken. As a result, an additional audit fee of £8,740 was charged resulting in a total audit fee of £161,320.

Materiality was reviewed on receipt of the unaudited annual report and accounts

19. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decision of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

20. Materiality levels for the audit of SFRS were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. No changes were required to the materiality levels, which are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for SFRS

Materiality	SFRS
Materiality – set at 2% of Gross Expenditure	£8.6 million
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£6.4 million
Reporting threshold – set at 3.5% of materiality.	£300,000

Source: Audit Scotland

Significant findings and key audit matters

21. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for SFRS is the board.

22. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

23. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

24. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Right-of-use land included in non-current assets</p> <p>Audit testing of non-current assets identified right-of-use land that had not been removed from the non-current asset balance following the introduction of IFRS 16 in 2023/24. This resulted in an overstatement of non-current assets in the unaudited accounts.</p> <p>Following discussion with management and further testing, land with value totalling £3.9 million was confirmed as being incorrectly included in the non-current asset balance.</p> <p>The overall impact can be seen in Exhibit 3, audit adjustment 3.</p>	<p>Following discussion, management at SFRS agreed to make the necessary adjustments to remove the right-of-use land assets from the non-current asset balance.</p> <p>Recommendation 2</p>
<p>Accounting policy for depreciation</p> <p>Audit testing identified inconsistencies between how depreciation was being applied in practice and SFRS's accounting policy.</p> <p>The depreciation policy is straight line over an asset's useful life.</p> <p>The asset register, however, does not calculate depreciation in the year of acquisition and instead charges two years depreciation in the final year.</p> <p>IAS16 states that the 'depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity'.</p> <p>As the economic benefit is not doubled in an asset's final year, the method used does not comply with this requirement. The difference, however, is unlikely to be material in any year.</p> <p>In 2024/25 this resulted in accumulated depreciation being £1.7 million higher than if it had been assigned evenly over the useful life of assets.</p> <p>The overall impact can be seen in Appendix 2.</p>	<p>Management at SFRS has agreed to review the application of depreciation in the financial system to determine the appropriate corrective action and compliance going forward.</p> <p>Recommendation 1</p>

Significant findings and key audit matters	Outcome
<p>Pension disclosures</p> <p>Audit testing identified misstatements in relation to the pension disclosures of both the prior and current year.</p> <p>In 2023/24 and 2024/25, SFRS incorrectly calculated the asset ceiling. As part of their asset ceiling calculation, the ‘unfunded liability’ was incorrectly included.</p> <p>In addition to this, SFRS offset the unfunded liability against the pension asset. The unfunded liability should be presented separately from a net defined benefit asset (or liability).</p> <p>The overall impact can be seen in Exhibit 3, audit adjustments 1 and 2.</p>	<p>SFRS agreed to make all the necessary adjustments to correct the asset ceiling calculation and bring the current and prior year pension disclosures in line with the IAS19 Schedule of Results.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

25. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of SFRS’s accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

26. The appropriateness of accounting policies adopted by SFRS was assessed as part of the audit. These were considered to be appropriate to the circumstances of SFRS, however as noted in [Exhibit 2](#) and [Recommendation 1](#), our audit testing identified that depreciation was not applied in line with the stated policy.

Recommendation 1

Incorrect application of depreciation

Depreciation is not being applied on a straight-line basis to non-current assets as stated in the policy. No depreciation is charged to non-current assets in the year of acquisition, with two years charged in the final year.

While the impact of this was not material in 2024/25, SFRS should ensure that depreciation is charged in line with the stated policy going forward.

27. There were no other significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

28. Accounting estimates are used in number of areas in SFRS's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of SFRS has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

29. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4, \(page 15\)](#).

Disclosures in the financial statements

30. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as non-current assets and valuation of the pension liability.

31. As detailed in [Exhibit 2](#), however, our audit testing of non-current assets identified right-of-use land that had not been removed from the non-current asset balance following the introduction of IFRS 16 in 2023/24. Management should ensure that all right-of-use assets are timeously removed from the non-current asset balance in future.

Recommendation 2

Removal of right-of-use assets from non-current asset balance

Audit testing of non-current assets identified that right-of-use land had not been removed from the non-current asset balance following the introduction of IFRS 16 in 2023/24.

SFRS should ensure that in future all right-of-use assets are timeously removed from the non-current asset balance.

Significant matters discussed with management

32. All significant matters identified during the audit and discussed with SFRS's management have been reported in the Annual Audit Report.

Audit adjustments

33. Audit adjustments were required to the financial statements to correct misstatements identified during the audit. Details of all audit adjustments greater than the reporting threshold of £300,000 are outlined in [Exhibit](#) .

Exhibit 3

Audit adjustments

Audit adjustments					
Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. As outlined in Exhibit 2 , 2024/25 pension disclosures were not in line with the actuary's IAS 19 Schedule of Results, including the accounting of the asset ceiling.					
	Non-current liabilities – LGPS unfunded obligations				7,784
	Pensions reserve			7,784	
2. As outlined in Exhibit 2 , for 2023/24, in line with applicable guidance, SFRS did not account for the value of unfunded pension obligations separately from the net asset position. Unfunded pension obligations were also incorrectly included in the asset ceiling calculation.					
	Non-current assets – pension asset			634	
	Non-current liabilities – LGPS unfunded obligations				8,970

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)		
	Pensions reserve		8,336		
3. As outlined in Exhibit 2 , Right-of-Use Assets had not been removed from land values following the transfer in 2023/24.					
	Property, plant and equipment		3,919		
	Impairment	328			
	Revaluation reserve		3,591		
Net impact on financial statements		328	0	20,345	20,673
Audit adjustments in disclosures					

1. Audit adjustments totalling £427,000 have been processed within Note 23 – Non-current assets. These adjustments do not impact any other part of the financial statements.

Source: Audit Scotland

34. In addition to the corrected misstatements outlined in [Exhibit 3](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

35. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of SFRS have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with those charged with governance taking into account advice from management and materiality.

36. Details of the uncorrected misstatements can be seen in [Appendix 2](#).

Other matters to report

37. In addition to the findings detailed above, a number of issues were identified which did not require adjustments to the financial statements.

38. Our non-current asset testing identified four components that remained on the asset register after disposal. As an example, we identified a training tower that had been removed from the site since the last valuation but was still included in the asset register.

39. These four components resulted in the asset register being overstated by £229,000. While the value is below our reporting threshold, we have raised a recommendation to ensure that SFRS has effective processes in place going forward to identify and remove components from the asset register following disposal.

Recommendation 3

Removal of components from asset register

SFRS should ensure that an effective process is in place to identify and remove components from the asset register following disposal.

Significant risks of material misstatement identified in the Annual Audit Plan

40. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Test samples of journals, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end (accruals and prepayments). Make inquiries of individuals involved in the financial reporting process about inappropriate or 	<ul style="list-style-type: none"> The design and implementation of controls over journal processing were appropriate. No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. No significant issues were identified from testing of journal entries. No significant issues were identified from transactions outside the normal course of business.

Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>unusual activity relating to the processing of journal entries.</p> <ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<ul style="list-style-type: none"> • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>SFRS held £588 million of property, plant, and equipment (PPE) on 31 March 2024, of which £487 million was land and building assets.</p> <p>SFRS has a biennial approach for the valuation of its estate which is better than once every 5 years. But there is still a risk that the carrying value of assets not revalued in the year does not reflect their current value. The difference in this value is likely to be significant, and this increases the risk of material misstatement in the financial statements</p> <p>There is also a significant degree of subjectivity in these valuations which are based on specialist assumptions, and</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Evaluate the competence, capabilities, and objectivity of the valuer. • Review the adequacy of disclosure and appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required. • Substantively test the reconciliation between the financial ledger and the asset register, including a sample of land and 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2024/25 valuation process were appropriate. • Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end. • Conclusion: the valuation of PPE is not materially misstated.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>changes in the assumptions can result in material changes to valuations.</p>	<p>building assets revalued in the year</p>	
<p>Estimation of the pension liability</p> <p>SFRS had a net pension liability of £2.8 billion in 2023/24. SFRS is a member of the Firefighters' Pension Schemes (FFPS) and the Local Government Pension Schemes (LGPS).</p> <p>SFRS uses a number of actuaries for the FFPS and for the first six months were members of 8 LGPS. These LGPS's were merged in batches and as of 31 March 2024, SFRS is now a member of just one LGPS (Strathclyde Pension Fund - SPF).</p> <p>The valuations are prepared by reputable actuaries using standard methodologies and there are no significant changes except for SFRS now being a member of just SPF. The last formal valuation was carried out on 31 March 2024.</p> <p>There is a significant degree of subjectivity in the estimation of the pension liability as the estimation is based on specialist assumptions, and changes in the assumptions can result</p>	<ul style="list-style-type: none"> • Evaluate the competence, capabilities, and objectivity of the actuary. • Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. We use the information provided by PwC to challenge the key assumptions applied by the actuaries when undertaking the valuations. • Consider the adequacy of the disclosures in the financial statements with actuarial valuations. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the pension liability estimation process were appropriate. • The information provided to the actuary was accurate and complete. • The actuary had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the estimation process and have an appropriate level of oversight. • The data and assumptions used in the estimation process were appropriate. • The information provided by PwC was reviewed and this reflected in the planned audit procedures, where required. <p>Conclusion: the estimation of the pension liability is not materially misstated.</p>

Risk of material misstatement	Planned audit response	Outcome of audit work
in material changes to the estimation.		

Source: Audit Scotland

Some progress has been made on prior year recommendations

41. SFRS has made some progress in implementing the agreed prior year audit recommendations as detailed below:

- Cyber accreditation has not yet been obtained. We have been advised that this is because SFRS has some older technology that needs to be updated or replaced before accreditation can be achieved. We do note that SFRS undertake penetration testing which provides some assurance with regards the organisation's cyber resilience ([prior year recommendation 3](#)).
- The medium-term financial plan (MTFP) was reviewed by the strategic leadership team (SLT) at its meetings in July and August 2025. Management describe the plan as a live document that is to be continually reviewed and has advised that the MTFP informed recent resource and capital budget requests to the Scottish Government. The MTFP is scheduled to be presented to the Strategic Planning and Change Committee in November 2025 and will inform the budget process going forward. ([prior year recommendation 4](#)).
- The unaudited annual report and accounts were provided two weeks after the agreed date as detailed at [paragraph 13](#) ([prior year recommendation 2](#)).
- Our recommendation to improve the reporting of Key Performance Indicators remains ongoing with an agreed action date of March 2026 ([prior year recommendation 5](#)).
- The agreed action to ensure that IFRS 16 disclosure requirements in relation to SFRS's position as a lessor are fully complied with ([prior year recommendation 1](#)) has been fully implemented.

42. For actions not yet implemented, revised responses and timescales have been agreed with SFRS and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Conclusion

SFRS has broadly effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

SFRS has effective and appropriate arrangements in place for securing Best Value.

SFRS delivered actual savings of £8.5 million in 2024/25 against a target of £9.0 million. The majority of savings were achieved in employee costs.

The finance team continues to experience a high turnover of staff with several vacancies remaining unfilled. This places additional pressure on existing staff.

SFRS has developed a medium-term financial plan. This has been reviewed by the strategic leadership team and will be presented to the Strategic Planning and Change Committee in November 2025.

Audit approach to wider scope and Best Value

Wider scope

43. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

44. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements SFRS has in place for each of these is reported in this chapter.

Duty of Best Value

45. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

46. Consideration of the arrangements SFRS has in place to secure Best Value has been carried out alongside the wider scope audit.

Conclusions on wider scope audit

Financial Management

47. The audit work performed on the arrangements SFRS has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by SFRS:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities including strong arrangements for managing the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function, although we do note the high turnover of staff in recent years with several vacancies across the department remaining unfilled. This has increased the pressure on current members of the finance team.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management.
- effective scrutiny and challenge provided by the board. The board is provided with detailed resource and capital monitoring reports. This gives members the opportunity to provide effective scrutiny. The reports also monitor progress towards savings targets and provide analysis of any virement during the period.

48. 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 underspend of £0.3 million ([Exhibit 5](#)).

Exhibit 5**Performance against fiscal resource in 2024/25**

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	317.3	314.9	314.6	(0.3)
Capital	43.0	43.3	43.3	0.0
Total	360.3	358.2	357.9	(0.3)

Source: Initial Budget – Budget Allocation and Monitoring 2024/25 Letter from Scottish Government, March 2024

Final Budget and Outturn – SFRS Annual Report and Accounts 2024/25

Financial Sustainability

49. The audit work performed on the arrangements SFRS has in place for securing financial sustainability found that these were broadly effective and appropriate. This judgement is evidenced by SFRS:

- having arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met. Budgeted and actual savings for 2024/25 against 2023/24 can be seen in ([Exhibit 6](#)) below.

50. As reported at [paragraph 41](#), progress has been made on developing a MTFP. The SLT considered the plan at its meetings in July and August 2025, and it was used to inform SFRS's recent budget requests to the Scottish Government. The MTFP is scheduled to be considered by the Strategic Planning and Change Committee in November 2025 and will inform the formal budget process going forward ([prior year recommendation 5](#)).

51. SFRS also faces a significant challenge due to the overall fiscal context, with limited funding increases alongside rising staff costs and inflationary pressures.

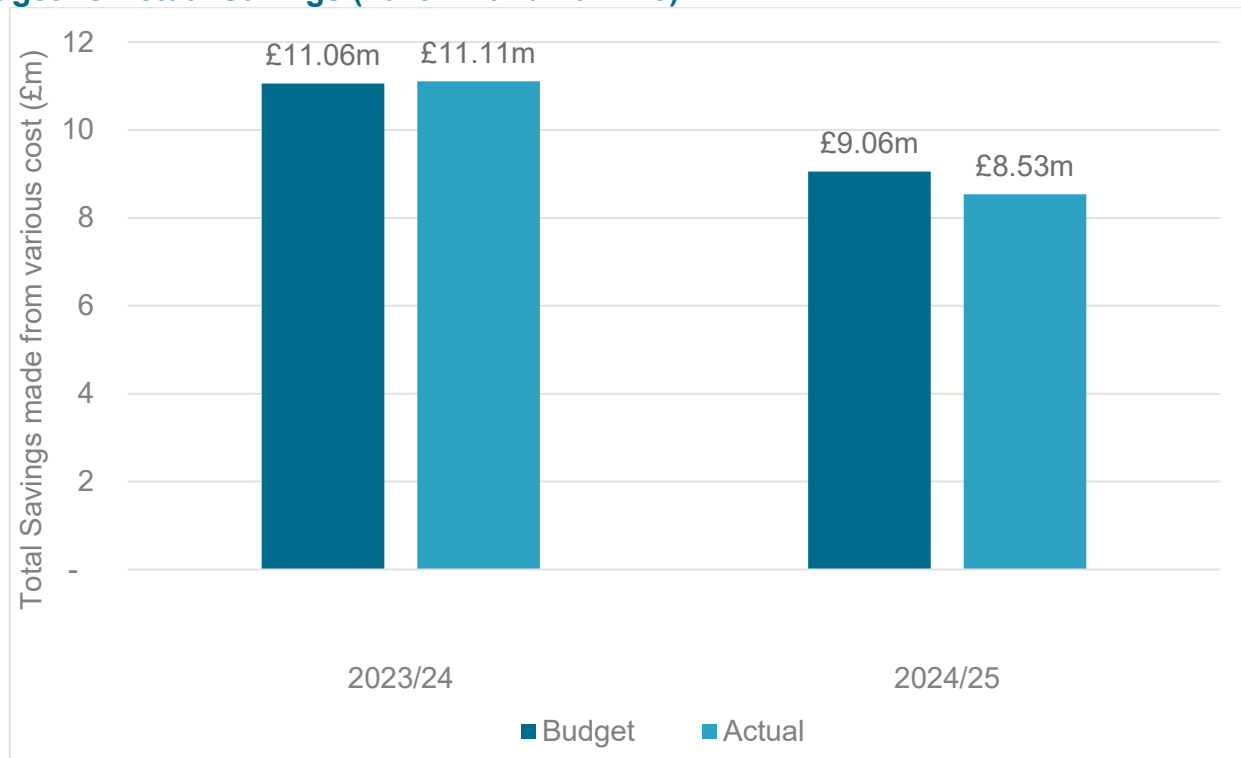
52. When SFRS approved its 2024/25 resource budget in March 2024, they also approved budget savings. Like previous years, savings were to be met through a range of options including reductions in employee costs, transport costs, supplies & services and property costs.

53. Exhibit 6 shows that SFRS delivered higher actual savings than budgeted in 2023/24. In 2024/25, however, actual savings were less than budgeted. The ongoing requirement to deliver budget savings places a significant strain on SFRS, with management facing challenging decisions on how to balance savings targets against service performance.

54. Most savings delivered by SFRS are through employee costs. In 2024/25 this area accounted for over 80 per cent of total savings. Some of these savings are achieved through vacancy management where positions remain unfilled. This places additional pressure on existing staff.

Exhibit 6

Budget vs Actual Savings (2023/24 and 2024/25)



Source: SFRS Resource Budget Outturn Report 2023-24 and Resource Budget Outturn Report 2024-25.

55. Savings are forecasted to address budget deficits during the financial year, and this is monitored and reported to the board.

Vision, Leadership and Governance

56. The audit work performed on the arrangements SFRS has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by SFRS:

- having appropriate governance arrangements in place that supports the effective scrutiny of decisions made by the board.

- having a strategic plan in place, supported by the annual operating plans, that clearly set out its vision, strategy, and priorities and outlines the high-level outcomes that SFRS aims to achieve in working towards its overall purpose.
- having a clear annual operating plan that is aligned with the strategic plan and the organisation's seven strategic outcomes. The operating plan details the milestones for each of the strategic outcomes and corresponding start dates and dates for achievement.
- all committee and board papers can be found on SFRS's website which allows public access. This supports openness and transparency.

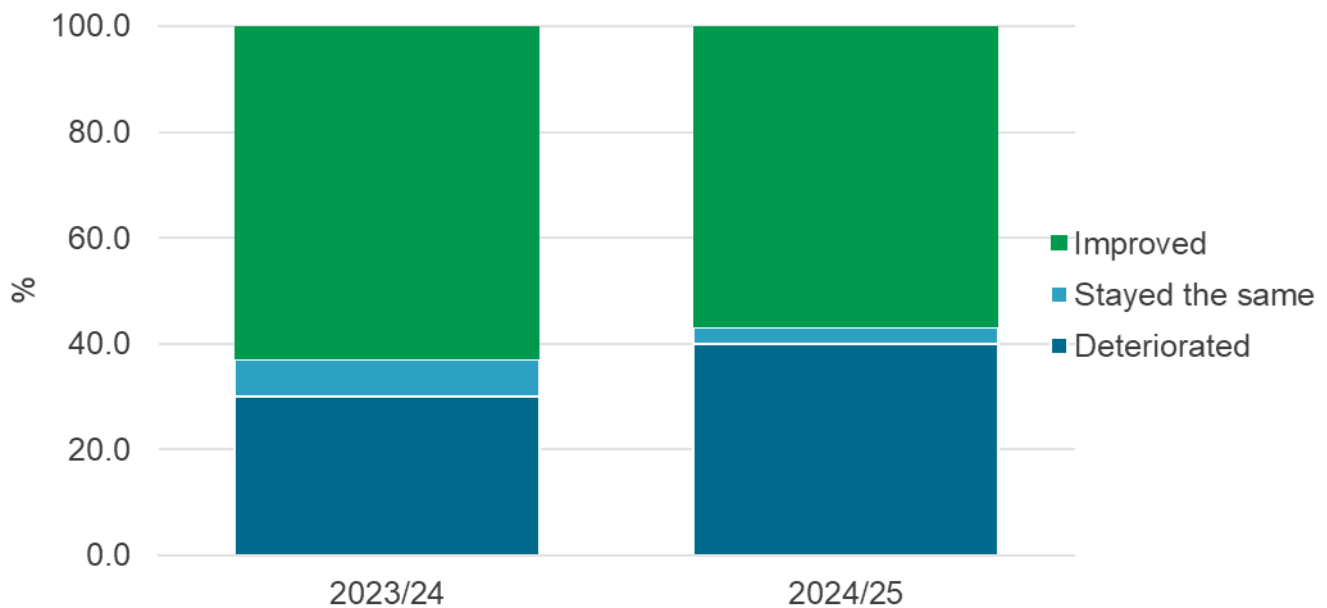
Use of Resources to Improve Outcomes

57. The audit work performed on the arrangements SFRS has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by SFRS:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark performance and to identify areas of improvement.
- presenting quarterly performance reports to the board. This provides the board with an overview of a range of indicators and alerts stakeholders to pending issues; the magnitude of the issue; and steps being taken to keep it under control.

58. SFRS's Annual Performance Review Report is structured around the seven strategic outcomes of the SFRS Strategic Plan 2022-25. Our analysis of the Key Performance Indicators (KPIs) disclosed in the Annual Report and Accounts 2024-25 shows a decline in performance against the previous year.

59. As indicated in [Exhibit 7](#), 57 per cent of KPIs improved year-on-year in 2024/25 compared to 63 per cent in 2023/24. Our analysis at [Exhibit 8](#) shows that in 2024/25 SFRS achieved its target performance level in 40 per cent of measurable KPIs, compared to 52 per cent in 2023/24 and 39 per cent in 2022/23.

Exhibit 7
KPI performance (year-on-year)

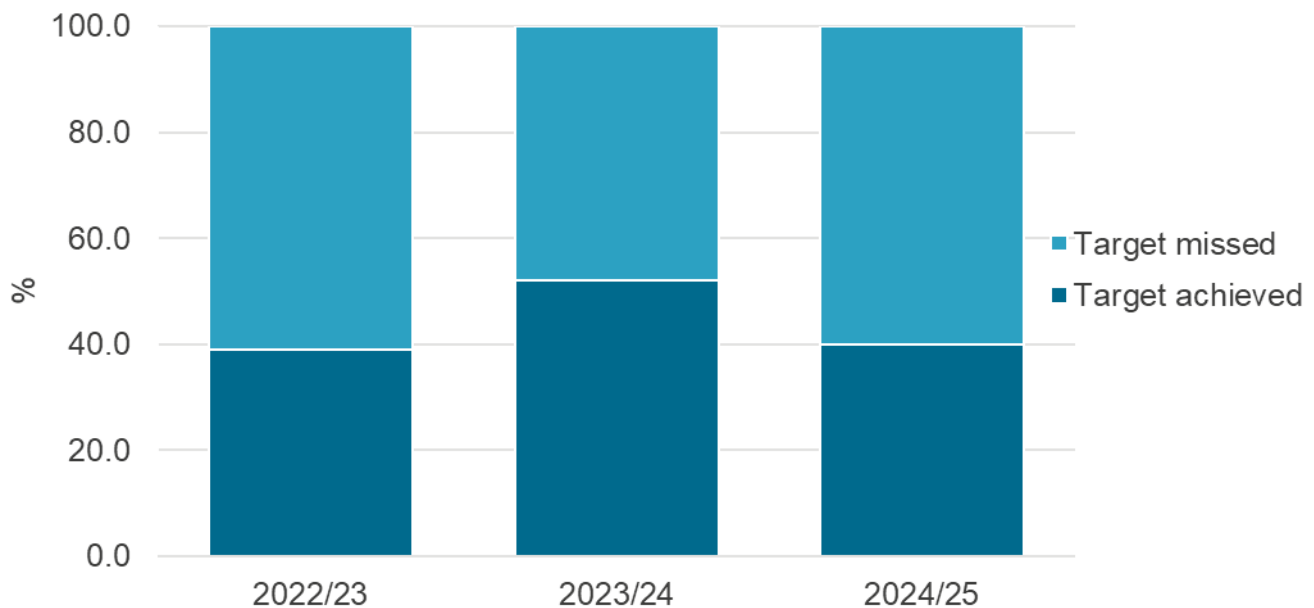
Source: Audit Scotland analysis of performance information in SFRS 2024/25 unaudited Annual Report and Accounts

60. In our 2023/24 Annual Audit Report we raised a recommendation ([prior year recommendation 5](#)) for SFRS to include target performance levels for all relevant KPIs by March 2025. In response SFRS confirmed that a wider review of how performance is measured and reported was scheduled to take place during 2024/25, and that amendments would be reflected in 2025/26.

61. We will monitor progress against this action as part of our 2025/26 audit.

Exhibit 8

KPI performance (against target)



Source: Audit Scotland analysis of performance information in SFRS 2024/25 unaudited Annual Report and Accounts

Conclusions on duty of Best Value

62. The audit work performed on the arrangements SFRS has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- SFRS having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements.
- the arrangements SFRS has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- progress SFRS is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Incorrect application of depreciation</p> <p>Depreciation is not being applied on a straight-line basis to non-current assets as stated in the policy. No depreciation is charged to non-current assets in the year of acquisition, with two years charged in the final year.</p> <p>In 2024/25 this resulted in an uncorrected misstatement of £1.7 million as disclosed in Exhibit 2 and Appendix 2.</p> <p><i>Risk - While the impact of this was not material in 2024/25, there is a risk of ongoing misstatement if the application of depreciation is not brought into line with the stated policy.</i></p>	<p>SFRS should ensure that depreciation is charged in line with the stated policy in future years.</p>	<p>Accepted</p> <p>The Service will review the operation of depreciation within the financial system to determine corrective action and ensure compliance going forward.</p> <p>Head of Finance and Procurement</p> <p>31st March 2026</p>
<p>2. Removal of right-of-use assets from non-current asset balance</p> <p>Audit testing of non-current assets identified that right-of-use land had not been removed from the non-current asset balance following the introduction of IFRS 16 in 2023/24.</p> <p><i>Risk - There is a risk of misstatement if right-of-use assets are not timeously removed from the non-current assets balance.</i></p>	<p>SFRS should ensure that in future all right-of-use assets are timeously removed from the non-current asset balance.</p>	<p>Accepted</p> <p>This recommendation is accepted and has been actioned.</p> <p>Head of Finance and Procurement</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>3. Removal of components from asset register following disposal</p> <p>Audit testing identified four components that remained on the asset register after disposal.</p> <p><i>Risk - There is a risk of misstatement if audit components are not removed from the asset register following disposal.</i></p>	<p>SFRS should ensure that an effective process is in place to identify and remove components from the asset register following disposal.</p>	<p>Accepted</p> <p>This recommendation is accepted and action has been taken to ensure compliance in future years.</p> <p>Head of Finance and Procurement</p> <p>31st March 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<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>Risk – Disclosure requirements under IFRS 16 are being met.</p>	<p>Recommendation - 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>Agreed action – Appropriate actions will be taken to ensure compliance with IFRS 16.</p> <p>Head of Finance and Procurement</p> <p>October 2025</p>	<p>Implemented</p> <p>Our audit testing in 2024/25 did not identify any issues in relation to IFRS 16 disclosure requirements.</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>Risk – The planned timetable for auditing the annual report and accounts cannot be achieved.</p>	<p>Recommendation - SFRS should work towards preparing a comprehensive unaudited annual report and accounts for submission to audit in line with the agreed timetable.</p> <p>Agreed action - SFRS will work towards providing the full draft annual report and accounts in line with the agreed timetable.</p>	<p>Not implemented</p> <p>Lessons will be learned from this experience and improvements in terms of timing will be made for 2025/26.</p> <p>Head of Finance and Procurement</p> <p>31st March 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<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 Government's Cyber Security Guidance.</p> <p>Risk – SFRS are unable to demonstrate the effectiveness of its cyber security arrangements.</p>	<p>Head of Finance and Procurement</p> <p>October 2025</p> <p>Recommendation - 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>Agreed action – Work is progressing for SFRS to gain cyber security accreditation by March 2025.</p> <p>Head of Information and Communication Technologies</p> <p>March 2025</p>	<p>Not implemented</p> <p>Work to achieve cyber security accreditation is ongoing. Further tasks have been identified to complete in the current financial year (2025/26) as a core project prior to a further application being made in 2026/27.</p> <p>Head of Digital and Technology Services (DaTS)</p> <p>Date: 31st March 2027</p>
<p>4. Medium term financial planning</p> <p>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.</p> <p>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.</p>	<p>Recommendation – SFRS should set out a medium-term financial plan at the earliest opportunity. The MTFP should be agreed by both the Strategic Leadership Team (SLT) and the board. This will support effective decision making across the service.</p> <p>Agreed action – 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 Financial and Contractual Services</p> <p>March 2025</p>	<p>Implemented</p> <p>The MTFP has been reviewed by the SLT and will be presented to the Strategic Planning and Change Committee in November 2025.</p> <p>The plan is a live document that will be continually reviewed. It has informed recent budget requests to the Scottish Government and will be used to support the formal budget process going forward.</p>
<p>5. Key Performance Indicators (KPIs)</p> <p>SFRS reporting of Key Performance Indicators could be further improved through</p>	<p>Recommendation – SFRS should include target performance levels for all relevant KPIs by March 2025. This will provide a clearer</p>	<p>Work in progress</p> <p>Work to implement this action remains ongoing and will be completed within the agreed timeline.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>the inclusion of target performance levels for all indicators.</p> <p>Risk – There is a risk that SFRS is unable to effectively demonstrate the level of performance it is achieving in key areas.</p>	<p>understanding of the performance being delivered.</p> <p>Agreed action - 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>	<p>Director of Strategic Planning, Performance and Communications</p> <p>March 2026</p>

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Uncorrected misstatements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
6. Depreciation incorrectly charged over the useful life of assets					
	Property, plant and equipment				1,689
	Depreciation and impairment	1,689			

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Scottish Fire and Rescue Service

2024/25 Annual Audit Report



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