

Highland and Islands Fire Board

Annual report on the 2011/12 audit



Prepared for members of Highland and Islands Fire Board and the Controller of Audit
November 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12 audit findings

We have given an unqualified opinion on the financial statements of Highland and Islands Fire Board for 2011/12. Four financial misstatements were identified, and corrected, as part of the audit process and amendments were also made to improve the presentation and internal consistency of the audited accounts. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

The Board underspent its budget by £0.256 million in 2011/12. Following receipt of permission from Scottish Ministers to exceed the maximum carry forward limits for the general fund, the underspend was transferred to reserves resulting in a general fund balance of £1.556 million as at 31 March 2012. Actual capital expenditure in 2011/12 totalled £3.289 million which was mainly funded by the Board's capital grant from the Scottish Government.

Although the Board has many aspects of an appropriate governance framework in place, the Best Value report, published in March 2012, highlighted serious concerns about the sustainability of the Service's fire cover model and identified a number of areas for improvement. These include the need for stronger leadership and strategic direction by elected members to ensure the deployment of resources is matched to community risk. The Board has approved a best value action plan to address the report's findings and improvement agenda. We will monitor progress made as part of our 2012/13 audit.

Outlook

On 1 April 2013, the 8 regional fire authorities will merge into a single service, the Scottish Fire and Rescue Service. A number of issues remain to be resolved with regard to the procedures governing the signing of the 2012/13 accounts and the transferring of assets and liabilities to the new Service. Discussions are currently on-going with the Scottish Government to ensure a smooth transition.

The Board is facing significant financial challenges with major demands on both its revenue and capital budgets. In setting the 2012/13 budget, the Board had to balance a real-term reduction in the funding available and the need to invest considerable resources in training, and risk information to ensure firefighters' safety. The Board has also identified that it needs significant levels of capital investment to make its asset base 'fit for purpose'.

In October 2012, the Scottish Government commissioned HM Chief Inspector of Fire and Rescue Authorities to conduct an inquiry into progress made by Highland & Islands Fire & Rescue Service in addressing the recommendations made by the Accounts Commission. The inquiry aims to identify what progress has been made and what remains for the new Scottish Fire and Rescue Service to address after 1 April 2013.

Introduction

1. This report summarises the findings from the 2011/12 audit of Highland and Islands Fire Board (the Board). The nature and scope of the audit were outlined in the Audit Plan presented to the Board in March 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. An action plan setting out the high level risks we have identified from the audit is included in the Appendix. Officers have considered the issues and agreed to take the specific steps in the column headed 'planned management action'. We do not expect all risks to be eliminated or even minimised. What we expect is that the Board understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
3. This report is addressed to members and the Controller of Audit and should form a key part of discussions with the Board. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate.
4. Audit is an essential element of accountability and the process of public reporting. This report will be published on our website after consideration by the Board. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
5. The management of the Board is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
8. Auditors review and report on, as appropriate, other information published with the financial statements, including the Explanatory Foreword, Statement on the System of Internal Financial Control and the Remuneration Report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.

Audit opinion

9. We have given an unqualified opinion that the financial statements of Highland and Islands Fire Board for 2011/12 give a true and fair view of the state of affairs of the Board as at 31 March 2012 and of its income and expenditure for the year then ended.

Legality

10. Through our planned audit work we consider the legality of the Board's financial transactions. In addition, the Treasurer has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the Board's management team, the financial transactions of the Board were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Statement on the system of internal financial control

11. We are satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the Board to obtain the necessary assurances. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.

Remuneration report

12. We are satisfied that the Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant Board officers and elected members.

Accounting issues

13. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011 Code). We are satisfied that the Board prepared the 2011/12 financial statements in accordance with the 2011 Code.

Accounts submission

14. The Board's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The working papers provided at that time, and the additional information, analyses and explanations supplied during the audit enabled us to certify the financial statements by the target date of 30 September 2012. The financial statements are now available for presentation to members and for publication.

Presentational and monetary adjustments to the unaudited accounts

15. The Board adjusted the unaudited financial statements to correct all of the financial misstatements identified as part of the audit process:
- depreciation and impairments included in Net Cost of Services were overstated and non-current assets (property, plant and equipment) were understated by £337,000 due to errors in the calculation of depreciation (£68,000) and the incorrect valuation of one of the Board's assets (£269,000). The deficit on the provision of services was reduced by £337,000 and the balance on the capital adjustment account increased by £337,000 as a result of this adjustment;
 - financing and investment expenditure was understated by £7.607 million due to an error in accounting for the International Accounting Standard 19 (Employee Benefits) adjustment. This error also impacted on the gross income, gross expenditure and net cost of services figures but did not impact on the deficit on the provision of services, or the Board's reserves;
 - debtors and creditors were understated by £545,000 due to the omission of the amounts due to/from constituent authorities resulting from the year end Montgomery calculation. This adjustment did not impact on the deficit on the provision of services, or the Board's reserves;
 - creditors were overstated and provisions were understated by £605,000 due to the misclassification of actual and potential claims in relation to the equal treatment of part time workers. This adjustment did not impact on the deficit on the provision of services, or the Board's reserves.

16. A number of amendments were also made to improve the presentation and internal consistency of the financial statements.

Refer to Action Plan No. 1

Going concern

17. The Board's balance sheet as at 31 March 2012 has an excess of liabilities over assets of £60.402 million due to the accrual of pension liabilities in accordance with International Accounting Standard 19 (IAS19). In common with similar public bodies, the Board has adopted a 'going concern' basis for the preparation of its financial statements as the pension liabilities are based on long-term actuarial projections and do not require immediate funding other than through increased employers' contributions which are already built into the Board's budgets and plans. We are satisfied that the process that the Board has undertaken to consider the organisation's ability to continue as a going concern is reasonable.

Post balance sheet events

18. The 2011/12 financial statements contain the necessary post balance sheet event disclosure in respect of the Police and Fire Reform Act which received Royal Assent on 7 August 2012. As a result, responsibility for Fire and Rescue Services will transfer from local government to central government on 1 April 2013 and the Highland and Islands Fire Board will cease to exist.

Whole of government accounts

19. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The Board submitted the consolidated pack to the Scottish Government prior to the deadline of 29 July. The revised consolidation pack, submitted to audit on 4 October, had not been fully updated to reflect the adjustments made to the audited financial statements and so the audited return was not submitted until 8 October, a day after the deadline for completion of the WGA audit.

Outlook

Scottish Fire and Rescue Service Reform

20. The Scottish Fire and Rescue Service will come into effect on 1 April 2013. There are a number of issues that remain to be resolved with regard to the procedures governing the signing of the 2012/13 accounts and the transferring of assets and liabilities to the Scottish Fire and Rescue Service. Discussions are currently on-going with the Scottish Government to ensure a smooth transition.

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Budgetary control

24. The Board's net operating expenditure in 2011/12 was £21.881 million. During the year, the Board and its constituent authorities agreed to increase the budget, and requisitions, by £0.351 million to fund additional capital expenditure. Contributions from constituent authorities totalled £22.137 million in 2011/12, resulting in an underspend of £0.256 million (1.2%) against the revised budget. In the Explanatory Foreword to the financial statements, the Treasurer explains that the main reasons for this budget underspend are reduced property costs resulting from the decommissioning of the Service's radio masts, lower than expected fuel costs and reduced capital charges.
25. The net operating expenditure (£21.881 million) differs from the Net Cost of Services of £25.376 million disclosed in the Comprehensive Income and Expenditure Statement by £3.495 million. This is because reports prepared for the Board's monitoring purposes are prepared on a different basis from the accounting policies used in the financial statements. Note 18 to the accounts reconciles the figures in the budget monitoring report to the figures in the Comprehensive Income and Expenditure Statement. This shows that the majority of the difference is due to how the costs of retirement benefits and capital investment are treated. Retirement benefits are based on cash flows in the budget monitoring reports but based on the current service costs of benefits accrued in the year within the accounts. Capital investment is accounted for as it is financed in the budget, but when the assets are consumed within the accounts.

Reserves and funds

26. The Board maintains a general fund to support future years' expenditure and as a contingency for unexpected events or emergencies. Under the Police and Fire Services (Finance) (Scotland) Act 2001, the Board can carry forward up to 5% of the constituent authorities' contributions for that year. The Board can only exceed these percentages with the approval of Scottish Ministers.
27. The Board sought permission from Scottish Ministers to exceed the carry forward limits for 2011/12 and approval was granted to carry forward up to £1.6 million from 2011/12 to 2012/13. This enabled the Board to transfer all of its 2011/12 underspend to its general fund. As a result, the general fund balance totalled £1.556 million (7% of requisitions) as at 31 March 2012.
28. Capital expenditure in 2011/12 totalled £3.289 million financed by capital grant of £2.548 million, unspent capital grant brought forward of £0.249 million and capital receipts of £0.141 million, with the balance of £0.351 million being funded from revenue. Unspent capital grant of £45,000 has been carried forward to 2012/13.

Outlook

2012/13 revenue budget

29. The Board is facing significant financial challenges with major demands on both its revenue and capital budgets. In setting the 2012/13 budget, the Board had to balance a real-term reduction in the funding available and the need to invest considerable resources in training and risk information to ensure firefighters' safety. In January 2012, the Board set its 2012/13 revenue budget at £22.869 million, an increase of 4.97% on the previous year. This budget includes assumed efficiency savings of £0.638 million together with additional expenditure, totalling £1.355 million, required to ensure firefighters' safety and address the challenges set out in the Board's Improvement Plan.
30. Revenue expenditure in 2012/13 will be funded by requisitions from constituent councils of £21.786 million and the use of £1.083 million of reserves. Whilst the use of reserves in this manner has reduced the level of requisitions required from each constituent council for the year, the potential financial risks which reserves mitigate against has transferred from the Board to constituent authorities in the event that any unforeseen circumstances arise which cannot be contained within the remaining reserve balance (£0.473 million).
31. The Board's latest revenue monitoring report, based on the position as at 30 June 2012, projects that the estimated outturn will be £0.226 million less than budget at 31 March 2013. The Board has agreed to use this underspend to fund overspends against its capital programme (see paragraph 33 below).

Refer to Action Plan No. 2

2012/13 capital plan

32. In February 2012, the Board approved a capital programme totalling £1.920 million to be funded by capital grant (£1.820 million) and capital receipts (£0.1 million). Additional funding of £0.550 million has since been secured from the Scottish Government to replace and upgrade vehicles in support of the Safer Firefighter Programme (see paragraph 61 for details).
33. The Board's latest capital monitoring report, based on the position as at 30 June 2012, projects that the estimated outturn will be £0.226 million greater than budget. As noted at paragraph 31 above, the Board has agreed to use its projected revenue underspend to fund this projected overspend.
34. The level of capital investment identified by the Board as required to make its asset base 'fit for purpose' is substantial and includes the need for significant investment in vehicles, operational equipment and ICT communications infrastructure.

Refer to Action Plan No. 2

Pension funding

35. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, IAS19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying for them, even if the actual payment will be made years into the future. This requirement results in large future liabilities being recognised in the annual accounts.
36. The firefighters' pension schemes and the injury benefit pension scheme are all unfunded and, therefore, have no assets to be valued. At 31 March 2012, the present value of the schemes' liabilities was £91.754 million and £1.609 million respectively, increasing from £76.850 million and £1.4417 million in the previous year. These pension liabilities will fall to be met by serving fire-fighters' contributions and by taxpayers (through pension grant from the Scottish Government) in the future.
37. The Board's estimated pension liabilities for civilian staff at 31 March 2012 exceeded its share of the assets in the Highland Pension Fund by £4.699 million, increasing from £1.842 million in the previous year. This liability will be made good by increased contributions over the remaining working lives of the employees, as assessed by the scheme's actuary.

Governance and accountability

38. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
39. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
40. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
41. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

42. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The Board has oversight of the financial resources and receives revenue and capital budget monitoring reports at each Board meeting. The responsibilities of the Chief Fire Officer, Treasurer and the Highland and Islands Fire Board in relation to budget monitoring and review are set out in Financial Regulations.
43. The Board has established a Best Value and Audit Working Group with the remit to scrutinise policy and resources, consider audit (internal and external) and inspection reports, and consider service performance against stated plans, targets and objectives. This Group is generally well attended by members and officers who respond to queries raised.
44. Although the Board has many aspects of an appropriate governance framework in place, the Best Value report (see paragraphs 61 & 62 for details), highlighted serious concerns about the sustainability of the Service's fire cover model and identified a number of areas for improvement. These include the need for stronger leadership and strategic direction by elected members to ensure the deployment of resources is matched to community risk.

Member training

45. The Accounts Commission recommends that local authorities give priority to the continuous professional development of their members. The local government elections, in May 2012, resulted in changes to the membership of the Board and the election of a new Convener (previously the Vice Convener) and Vice Convener. Induction training has been provided for members to ensure that they are clear about their roles and responsibilities.

Internal control

46. Internal audit plays a key role in the Board's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Our overview of the internal audit service provided by the Highland Council's Internal Audit section confirmed that the section operates in accordance with the CIPFA code of practice for internal audit in local government.
47. The Board's financial transactions are processed through The Highland Council's financial systems. Our review of these systems was conducted as part of the council audit, supplemented by specific audit work on the Board's financial statements. We did not find any significant control weaknesses in relation to the operation of the Board's main financial systems. We also placed reliance on the Head of Internal Audit and Risk Management's opinion that, 'reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2012.'

Risk Management

48. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.
49. The Service maintains a comprehensive risk register which is regularly reviewed by the Management Team. In response to a recommendation in last year's Annual Report on the Audit, a summary of the strategic risks facing the Board was presented to members in March 2012. This summary provided members with details of each risk, the likelihood of it occurring, its potential impact, and the controls management had put in place to mitigate or manage its impact. The Board also receives regular updates in regard to the Service Improvement Plan, Integrated Risk Management Plan, and financial plans.

Prevention and detection of fraud and irregularities

50. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
51. The Board has appropriate arrangements in place to prevent and detect fraud and irregularities. These arrangements include an approved prevention and detection of fraud and corruption policy and a whistle blowing policy.

National Fraud Initiative in Scotland

52. The National Fraud Initiative in Scotland (NFI) uses data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.
53. The previous data matching exercise started in October 2010, with overall findings reported in May 2012. As part of this exercise, the Board identified £4,694.47 of duplicate payments which were subsequently recovered from suppliers. The latest round of NFI started in June 2012.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

54. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in the Board are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

55. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
56. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
57. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
58. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
59. This section includes a commentary on the Best Value/ performance management arrangements within the Board. We also note any headline performance outcomes/ measures used by the Board.

Best Value

60. The Best Value report on the Highland & Islands Fire & Rescue Service was published in March 2012. The report highlighted serious concerns about the sustainability of the fire cover model that has developed within Highland & Islands Fire & Rescue Service and its compatibility with the approach taken in other parts of the country. A peer support team, formed from senior officers from other Scottish fire and rescue services, identified major shortcomings within the Service in areas such as staff training, quality assurance processes and health and safety. Essentially it concluded that the Service's resources were spread too thinly, over too many locations, and that the current fire cover model needs to be urgently addressed.

61. In August 2012, the Board agreed a plan containing 28 actions to address the findings and improvement agenda included in the Best Value report. By the time the plan was agreed, 14 (50%) of the planned actions had already been completed with all but one of the remaining actions already in progress. The Accounts Commission has asked the Controller of Audit to monitor the progress of the Service in responding to its findings and so we will continue to review progress made as part of our 2012/13 audit of the Board.

Refer to Action Point No. 3

Use of resources

Workforce planning

62. The Best Value report identified that there was an urgent need for Highland & Islands Fire & Rescue Service to ensure that all firefighters have the appropriate levels of competencies across a full range of required skills and that a sufficient training programme was put into place. In response, the Board has established the '*Safer Firefighter Programme*' to work towards achieving national training standards for its firefighters. A number of key performance indicators have been developed for the programme to enable elected members to monitor progress in delivery of the programme. The next update on performance and progress will be presented to the November meeting of the Board.
63. The full impact of the move to a single Scottish fire and rescue service on the Board's existing workforce is still unclear, resulting in continued uncertainty for many staff, particularly those employed in support services. This uncertainty is likely to impact on staff morale and motivation. The challenge for the Board will be to minimise the risk of this adversely impacting on service delivery.

Overview of performance in 2011/12

Performance management

64. The Board has designed a bespoke system that extracts information from various other systems in order to populate its performance indicators. This is done on a daily basis so information is real time which provides for timely analysis and intervention as appropriate. Sickness absence is the only indicator where data is still being collated manually but robust checking is in place to ensure its accuracy.
65. Elected members receive quarterly performance reports which show progress against each of the strategic objectives, and use a traffic light system to indicate how performance compares to expectations. Indicators are compared to previous years (trend analysis) and analysed per constituent local authority area. In addition, the Board receives regular reports on progress made with delivering the Safer Firefighter Programme and the delivery of legislative fire safety audits. The Board has agreed to further develop its suite of indicators in 2012/13 to include Best Value indicators in respect of employees, finance, and procurement.

Statutory performance indicators

66. Each Fire and Rescue Service is required to report a range of information sufficient to demonstrate that it is securing best value in relation to community fire safety, intervention in response to emergency incidents, staff and equalities and diversity. The information to be reported includes 3 specified statutory performance indicators on fire casualties, accidental dwelling fires and sickness absence. The results of the statutory performance indicators are outlined in the following paragraphs.

Community Fire Safety

67. The rate of incidents resulting in casualties per 10,000 of the population has increased in 2011/12 from 1.3 to 1.4, and the rate of fatal and non-fatal casualties has increased in 2011/12 from 1.5 to 2.0. Both indicators reported are broadly in line with Scottish averages of 1.4 and 1.9 respectively.
68. The rate of accidental dwelling fires per 10,000 of the population has fallen in 2011/12 from 6.3 to 6.0. This indicator is significantly lower than the 2011/12 Scottish average of 9.5.

Sickness absence

69. Sickness absence levels improved in 2011/12 in respect of rider shifts, with the average number of days lost due to sickness and light duties falling slightly from 10.0 days to 9.6 days. This is much higher than the 2011/12 Scottish average of 7.5 days. For all other staff, the average number of days lost due to sickness has fallen from 8.6 days to 8.2 days, which is above the 2011/12 Scottish average of 6.9 days.

Public performance reporting

70. The Board has a statutory duty to make arrangements for reporting to the public on the outcome of the performance of their functions as set out in the Local Government in Scotland Act 2003. Statutory guidance on Best Value requires local authorities to manage performance effectively with a view to continuous improvement. This should reflect the local context in which they operate and their own particular priorities.
71. The Board published the specified statutory performance indicators on its website in September 2012. An annual public performance report is also published setting out progress made against the Board's strategic objectives, the 3 statutory performance indicators and 7 local performance indicators that the Service believes are of particular importance or interest to stakeholders.

Outlook

72. In October 2012, the Scottish Government commissioned HM Chief Inspector of Fire and Rescue Authorities to conduct an inquiry into progress made by Highland & Islands Fire & Rescue Service in addressing the recommendations made by the Accounts Commission. The inquiry aims to identify what progress has been made and what remains for the Scottish Fire and Rescue Service to address when it comes into effect on 1 April 2013.

Appendix: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	15 & 16	<p>Financial statements</p> <p>A number of financial misstatements were identified, and corrected, as part of the audit process. Amendments were also made to the unaudited financial statements to improve their presentation and internal consistency.</p> <p><i>Risk: potential misstatement of the Board' income, expenditure and year-end financial position. If material amounts are involved, the accounts may be qualified.</i></p>	<p>The Accounts are prepared with the objective of providing a true and fair view of the Board's financial position. If material matters come to light after the submission date or are identified as part of the audit process then if at all possible appropriate adjustments are made to ensure that a true and fair view is presented.</p>	Treasurer	31 March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
2	30 & 33	<p>Financial pressures</p> <p>The Board is facing significant financial challenges due to the need to invest considerable resources in training, and risk information to ensure firefighters' safety. The 2012/13 revenue budget assumes efficiency savings of £0.638 million and the use of £1.083 million of reserves, leaving only £0.473 million to fund any unforeseen costs. The level of capital investment identified by the Board as required to make its asset base 'fit for purpose' is also substantial.</p> <p><i>Risks: the Board may not be able to realise planned savings and manage spending within available budgets resulting in additional requisitions required from constituent authorities. The Board's asset base is not fit for purpose, impacting on service delivery and firefighter safety.</i></p>	<p>The Service continually monitors its financial position to ensure that it is able to deliver its Service within the budget allocated by the Board.</p> <p>The Board's capital plan is aligned to the Service's Audit of Best Value and the Safer Firefighter Programme and ensures that the limited capital resource available to the Service is directed at enhancing firefighter safety.</p> <p>Following the Best Value report, and the Board's adoption of the sustainability criteria we have departed from the station upgrade programme.</p> <p>Progress against both the revenue budget and capital budget is reported to the Board on a regular basis.</p> <p>The prioritisation of the building stock across Scotland is currently being consolidated by the Property Asset Management Reform Team and this will drive a capital investment plan for the new Service.</p>	Head of Business Support	31 March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	59 &60	<p>Best Value</p> <p>The Best Value report, published in March 2012, concluded that the Service's resources were spread too thinly, over too many locations, and that the current fire cover model needed to be urgently addressed. An action plan has been prepared to address the findings and improvement agenda included in the Best Value report.</p> <p><i>Risk: firefighters' safety is not protected and the Board does not demonstrate Best Value in the use of its resources.</i></p>	<p>The Service has prepared a Best value action plan to address all the concerns raised in the Best Value Audit Report.</p> <p>A Peer Support Team has been established and is working closely with the Service to ensure it is making acceptable progress to address the BV audit.</p> <p>The Board, in August, addressed the issue of allocating resources to unsustainable stations by closing 4 stations and rationalising a further 6.</p> <p>The Service has undergone recent inspection by CIFRA and early feedback indicates that the Service is making good progress in addressing the concerns raised in the Best Value audit and that the direction of travel is very positive.</p>	Deputy Chief Fire Officer - Director of Service Delivery	31 March 2013