

Lothian and Borders Fire and Rescue Board

Annual report on the 2011/12 audit



Prepared for Members of Lothian and Borders Fire and Rescue Board and the Controller of Audit
October 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 that the financial statements of Lothian and Borders Fire and Rescue Board (LBFRB) for 2011/12 give a true and fair view of the financial position as at 31 March 2012 and expenditure and income of the Board for the year then ended.

The Board disclosed a surplus of £0.423 million for 2011/12. In November 2011 the Board approved a recommendation to release £1.6 million from the general fund reserve to the constituent councils resulting in an overall reduction of £1.177 million in the general fund reserve balance to £1.969 million.

We have concluded that Board governance arrangements are adequate. Internal Audit also concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Board's internal control system.

The findings of the Best Value audit of Lothian and Borders Fire and Rescue Service were reported in March 2012. The audit concluded that the service provides an effective service with a clear strategic vision supported by good use of integrated risk management planning. This is helped by a strong approach to financial management, although improvements need to be made in recording the value of plant and equipment and in the Board's performance reporting arrangements.

Outlook

The Police and Fire Reform (Scotland) Act 2012 creates a single Police Service for Scotland and a single Scottish Fire and Rescue Service. Lothian and Borders Fire and Rescue Board will cease to exist as a corporate body on 31 March 2013.

The key issues for the Board going forward are:

- contributing towards the successful establishment of a Scottish Fire and Rescue Service which will replace all of the current fire and rescue services from 1 April 2013
- maintaining internal control systems and safeguarding assets during the period of transition to the new Scottish Fire and Rescue Service.

In 2012/13 it will be important, therefore, to ensure that there is adequate management capacity to maintain the current standard of service, implement improvements and contribute to the transition to the Scottish Fire and Rescue Service.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Lothian and Borders Fire and Rescue Board. The nature and scope of the audit were outlined in the Audit Plan presented to the Scrutiny Committee on 16 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. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Lothian and Borders Fire and Rescue Board.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. 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 Lothian and Borders Fire and Rescue Board understands its risks and has arrangements in place to manage these risks. Members and the S95 officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the Board and the Controller of Audit and should form a key part of discussions with the Scrutiny committee, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. 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.
6. The management of Lothian and Borders Fire and Rescue Service 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 of 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

7. 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.
8. 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 in accordance with applicable law and the 2011/12 Code of the affairs of Lothian and Borders Fire and Rescue Board as at 31 March 2012 and of its income and expenditure for the year then ended
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code
 - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the directors' report, annual governance statement, statement on internal control or statement on 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 on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Lothian and Borders Fire and Rescue Board for 2011/12 give a true and fair view of the financial position as at 31 March 2012 and expenditure and income of the Board for the year then ended.

Legality/ regularity

11. Through our planned audit work we consider the legality of the Board's financial transactions. In addition the Acting 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 additional legality issues arising from our audit which require to be brought to members' attention.

Going concern

12. The Police and Fire Reform (Scotland) Act 2012 was granted Royal Assent on 8 August 2012. The Act creates a single Police Service of Scotland and a single Scottish Fire and Rescue Service to "serve local communities and meet the demands and challenges of the 21st century". Lothian and Borders Fire and Rescue Board will cease to exist as a corporate body on 31 March 2013.

13. The Board's balance sheet discloses net liabilities of £333.2 million (2010/11 - £298 million) represented by positive balances on usable reserves of £2.4 million (2010/11 - £3.5 million) which is offset by unusable negative reserves of £335.6 million (2010/11 - £301.6 million). The liability position arises solely as a result of pension liabilities. Pension liabilities are accounted for when they arise but are paid when due and consequently there is no going concern issue.

Annual governance statement

14. We were satisfied with disclosures made in the Annual Governance Statement and the adequacy of the process put in place by the Board to obtain assurances on the system of internal control.
15. Local authorities are required by an amendment to the Local Authority Accounts (Scotland) Regulations 1985 to publish a Remuneration Report as part of their annual accounts. We are satisfied that the Remuneration Report has been properly prepared.

Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on local authority accounting in the United Kingdom 2011/12 (the Code). The Code is based on International Financial Reporting Standards (IFRSs). We are satisfied that the financial statements have been prepared in accordance with the Code.
17. During the audit the most significant changes to the draft accounts related to the treatment of IAS 19 transactions and depreciation on vehicles. These changes did not impact on the Board's financial position as they are effectively removed by the standard adjustments to bring the accounts onto a funding basis under regulation.
18. The Board has adjusted the financial statements to reflect audit findings as reported in our letter issued in line with International Standard on Auditing 260 (ISA 260) - Communication of audit matters to those charged with governance.
19. The management information system operated by Lothian and Borders Fire and Rescue Board to record orders for goods and services, inventory, moveable non current assets and equipment cannot produce complete and accurate management information. The Board provides on-going staff training to minimise the risk of data inaccuracies and user input errors and has undertaken data cleansing activities to minimise inaccuracies. We have reviewed these and consider them to be reasonably based but there is still some risk that the management information system is incomplete regarding non-current assets, inventories and goods received not invoiced. We obtained formal assurance from the Acting Treasurer, in a letter of representation, that there was no material impact on the Board's financial statements.

Refer Action Point no.1

Accounts submission

20. The Board's unaudited financial statements were submitted to the Controller of Audit by the due date of 30 June. Working papers provided to support the financial statements were of a high standard as were the responses to audit queries.
21. The accounts were certified and available for publication on 7 September and are due to be presented to members at the Board meeting scheduled for 9 November 2012.

Presentational and monetary adjustments to the unaudited accounts

22. **International Accounting Standard 19 (IAS19).** The accounts have been adjusted to reflect a current year adjustment and a prior year adjustment relating to the treatment of IAS 19 transactions. IAS 19 establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned, rather than when it is paid. The main changes are an increase in fire-fighters pension costs of £5.491million (2011 - £5.885 million) and an increase in grants received from the Scottish Government in respect of pensions of £4.905 million (2011 - £1.398 million). In addition a prior year adjustment has been made to the 2010/11 accounts.
23. The adjusted transactions do not impact on the Board's financial position as the charges in respect of IAS 19 are presentational and are removed by the adjustments between the accounting basis and funding basis.
24. **Non-Current Assets.** The gross book value and accumulated depreciation values for Vehicles and Plant included old balances to the value of £18 million. In effect these show in the financial statements at a net nil value, having been fully depreciated. This was considered incorrect accounting treatment. Officers agreed to amend the accounts. The main changes resulted in a reduction in the accumulated depreciation at 1 April 2011 of £2.947 million (2010 - £2.730 million) and in year depreciation for 2011/12 of £0.173 million (2010/11 - £0.218 million). In addition a prior year adjustment has been made to the 2010/11 accounts. These changes do not impact on the Board's financial position as they are effectively removed by the standard adjustments to bring the accounts onto a funding basis.
25. 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 (SG) prior to the deadline of 12 August and the audited return was completed by the audit deadline of 5 October.

Outlook

26. The 2012/13 financial statements will be the last prepared by the Board prior to the establishment of the Scottish Fire and Rescue Service. Finance staff have indicated that, as far as is practical, the accounts timetable will be brought forward in 2012/13. This will require careful planning and communication with key officers to ensure the Board's accounts are prepared accurately.

Refer Action Point no. 2

Financial position

27. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
28. 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.
29. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

30. The gross expenditure on the cost of services in the comprehensive income and expenditure statement was £55.96 million (2010/11 - £55.35 million excluding an exceptional item). Net expenditure was £45.50 million (2010/11 - £48.24 million excluding an exceptional item).

Budgetary control

31. The surplus of £0.423 million arose as a result of lower than expected employee costs (£1.225 million) offset by unbudgeted capital costs met from revenue (£0.421 million) and the provision to meet estimated Part-Time Workers Regulations payments (£0.416 million).

Financial position

32. At its meeting on 11 November 2011 the Board approved a recommendation to release £1.6 million from the general fund reserve to the constituent councils resulting in an overall reduction of £1.177 million in the general fund reserve balance to £1.969 million representing 4.3% of net revenue expenditure.
33. The September 2011 Board meeting also approved a recommendation to earmark £0.421 million from the general fund balance to fund elements of the Board's carbon management plan. A further £0.300 million was earmarked in respect of in-house training facilities at the Board meeting on 3 February 2012.

Capital investment and performance 2011/12

34. Capital expenditure in 2011/12 was £3.137m (2010/11-£1.974 million) against a budget of £2.877 million. The main items of expenditure were station upgrades (£1.084 million) and fire appliances (£0.784 million). The overspend on capital expenditure arose as a result of the

Board's decision to fund additional capital expenditure in respect of in-house training facilities and elements of the Board's carbon management plan. Budgeted capital expenditure for 2012/13 is £2.562 million.

Our previous audit reports referred to the lack of a service level agreement (SLA) for the services provided by the City of Edinburgh Council to the Board. Both parties have decided that it would not represent best use of resources to adopt an SLA at this time given the transfer to the Scottish Fire and Rescue Service on 1 April 2013.

Financial planning to support priority setting and cost reductions

Asset management

35. Audit Scotland's report on the Best Value audit of LBFRB indicated that it has some good arrangements in place to make effective use of its resources but recognises there is scope to improve how it manages its assets. In particular, more robust systems need to be established for the management and monitoring of equipment. This is particularly important in the transition to the new Scottish Fire and Rescue Service.

Refer Action Point no.3

Workforce reduction

36. On 25 March 2011 the Board approved the release of 14 non-uniformed members of staff that had been recognised by the Service as being eligible to be released under the terms of the Practice Statement on Voluntary Severance/Early Release of Employees. These members of staff were released on 31 March 2011. The costs of this programme were met from the 2010/11 revenue budget. A further member of staff left under the scheme in October 2011 and the costs were met from the 2011/12 budget. Total payments made to staff under the scheme were £372,000. The resultant efficiency savings in 2011/12, and in subsequent years, through the early release of staff, is £330,000 per annum.

Partnership working

37. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth, the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. This will continue to evolve in 2012/13.

Outlook

2012/13 budget

38. The budget for 2012/13 totals £40,616,604, a reduction of £577,000(1.4%) from the approved budget for 2011/12 of £41,193,604.
39. The Local Government Finance Settlement confirmed that revenue funding would be held at the 2011/12 levels for the next three years. Councils are, however, expected to identify

additional savings of around 1.5% to 2% in 2012/13 from within this settlement to meet various commitments including continuation of the Council Tax freeze and contributions to Change Funds for Health and Early Years.

40. A number of measures have been put in place within the Service to ensure delivery of the required savings and include:
- A vacancy management group assessing the need for every vacancy as it arises.
 - A Budget Review Group reviewing all budget proposals on a cross functional basis.
 - The introduction of a Voluntary Retirement/Early Severance Scheme.
 - A comprehensive range of Best Value reviews carried out across functions.

2012/13 budget reporting

41. The Board's financial statement for the period to 31 July 2012 discloses an underspend of £181,000 with the main factors being an underspend of £335,000 on employee costs offset by an overspend of £206,000 on other operational costs. A net underspend of £33,000 is forecast for the year.

Governance and accountability

42. 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.
43. 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.
44. 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.
45. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

46. Scrutiny of the effectiveness of the internal control processes for the Board is undertaken by the Scrutiny Committee which includes members from the five constituent councils of the Board. The membership of the Committee changed following the local government election in May 2012 although the convener remains in post. The remit of the Committee includes a requirement to hold a meeting between June and September in any year for the purposes of reviewing the statement of internal financial control.
47. The role of elected members will be crucial in the transitional period prior to the establishment of the Scottish Fire and Rescue Service to ensure effective governance at this time of change.
48. As the fire service moves to the establishment of a single Fire and Rescue Service a number of officers from the Board have been seconded to prepare for the implementation at 1 April 2013. There is a risk that the management of the Board will lack the capacity to maintain current standards of safety and service in the transition period.

Refer Action Point no.4

49. On 29 June 2012, the Board appointed the council's interim Chief Financial Officer as Treasurer to the Board for a period of six months pending a permanent appointment.

50. The Board will cease to exist on 31 March 2013 and it seems likely that there will be reductions in administration staff as a consequence of the move to the Scottish Fire and Rescue Service. In a period of change and uncertainty there is a risk that controls within key financial systems may not be as effective because staff are pre-occupied with preparing for the transition to the new Scottish fire and rescue service.

Refer Action Point no. 5

Internal control

51. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
52. The Board's financial transactions are processed through the City of Edinburgh's Council's financial systems. It is therefore the responsibility of the council's management to maintain adequate financial systems and associated internal controls. The auditor evaluates significant financial systems and associated internal controls for the purpose of giving an opinion on the financial statements and as part of the review of the adequacy of governance arrangements.
53. Our review of these systems was conducted as part of the audit of City of Edinburgh Council, supplemented by specific audit work on the Board's financial statements and systems of internal control operated by LBFRB. At paragraph 19, we drew attention to some concerns we had in respect of the management information system used for ordering, inventories and equipment. Adequate compensating controls and manual records have provided sufficient evidence for us to reduce audit risk to an acceptable level. We are, therefore, able to conclude that overall there are no material issues or concerns in relation to the main financial system.
54. An Annual Governance Statement was included within the financial statements. The Board has put in place arrangements for monitoring and providing evidence of compliance for each element of the CIPFA / SOLACE framework Delivering Good Governance in Local Government. A Principal Officer within the Board has been nominated to review the effectiveness of arrangements and will report annually to the Board.
55. The review of the effectiveness of the Board's governance framework, including the system of internal financial control, is informed by senior management, the Treasurer, and internal and external auditors.
56. The Acting Treasurer has provided the Chief Executive with a statement on the adequacy and effectiveness of the Board's internal financial control system for the year ended 31st March 2012. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system. In accordance with good practice, the statement was approved by the Board in June 2012. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

57. The Board's internal audit function is provided by the City of Edinburgh Council's internal audit section. Our review of internal audit was conducted as part of the audit of the City of Edinburgh Council. The review concluded that internal audit's work was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government, that the audit plan was sufficient and that all work on which we placed reliance was completed and the relevant assurances obtained.
58. The council's internal audit service is going through a period of transition. The Chief Internal Auditor retired at the end of July 2012 and a manager from PricewaterhouseCoopers was appointed to manage the service on an interim basis. At the end of September 2012 a further six internal auditors retired.
59. Tenders have been issued for the provision of an internal audit service with two options being proposed - full outsourcing or co-sourcing. Tenders were returned on 10 October 2012 and are due to be evaluated on 22 October 2012. The outcome of this exercise will determine the future shape of the internal audit function. Until then internal audit will be running below full strength and this may impact on the amount of work that can be carried out. There is a risk that, in the short term, the internal audit service will not be able to deliver on its plans in respect of LBFRB.

Refer Action Plan no. 6

60. As part of our audit we placed reliance on internal audit's work on the council's major financial systems which included samples of transactions relating to the Board. This allowed us to direct our resources to the financial systems and governance areas that we have assessed as being of higher risk.

Prevention and detection of fraud and irregularities

61. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
62. The Board has arrangements in place to prevent and detect fraud, corruption and inappropriate conduct. These arrangements include standing orders and financial regulations, a whistle blowing policy, an anti-fraud and corruption policy and codes of conduct for elected members and staff. We are pleased to note that the Board continues to have appropriate arrangements in place to minimise the risk of fraud and corruption. Each year, Audit Scotland gathers information on such cases of fraud identified by audited bodies. In 2011/12 there were no such cases reported for the Board.

NFI in Scotland

63. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The

latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI commenced in June 2012, and will look to expand the range of data sets and bodies.

64. The NFI works by using 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. As with previous NFI exercises virtually all matches arose as a consequence of retained fire-fighters having other jobs and there were no matches that warranted fuller investigation.

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

65. 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 Lothian and Borders Fire and Rescue Board are satisfactory and we are not aware of any specific issues that we need to identify in this report

Complaints Handling Procedures

66. There is currently no requirement for Fire Boards to submit complaints handling procedures to the Scottish Public Service Ombudsman (SPSO) but officers of the Board are preparing procedures based on SPSO guidance for the single Fire and Rescue service.

Best Value, use of resources and performance

67. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. 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.
68. 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. An audit of best value in Lothian and Borders Fire and Rescue Service was undertaken by Audit Scotland in 2011/12. The audit findings are detailed in paragraph 79 below.
69. 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.
70. This section included a commentary on the Best Value arrangements within the Board and where relevant includes the auditor's view on the appropriateness of the arrangements.

Management arrangements

Performance management

71. Our local audit work identified the following issues:
- The Board did not prepare a performance plan for 2012. This would normally include the Board's plans and objectives for the year ahead. However, in view of the impending transfer to the single Fire and Rescue Service a decision was taken that it would be impractical to develop a performance plan as the new national fire and rescue service would set future objectives.
 - Key performance information is submitted to the Scrutiny Committee on a quarterly basis. However, a year end summary of performance was not submitted to the Committee in 2011/12 following on from the decision not to produce a performance plan.
 - The Board normally publishes its Statutory Performance Indicators (SPIs) on their website and, therefore, they are only available to those who have access to the internet.

72. The issues outlined above will require to be addressed, as appropriate, as part of the performance management system to be put in place by the new Scottish Fire and Rescue Service.

Community/user engagement

73. The service has a clear focus on prevention work. It engages in a range of educational and awareness raising initiatives and carries out a high level of home fire safety visits which are increasingly targeted on areas of greatest risk. The service has good working relationships at a strategic and operational level with its partners particularly in relation to road safety and fire prevention.

Overview of performance in 2011/12

Statutory performance indicators

74. Annual Statutory Performance Indicators (SPIs) are submitted to Audit Scotland in accordance with the direction issued by the Accounts Commission. The direction places a responsibility on the Board to submit the SPIs to Audit Scotland by 30 September 2012. The Board submitted their SPIs by the due date.
75. The Board is required to report on five main indicators; incidents resulting in casualties, fire casualties, accidental dwelling fires, rider shifts lost to sickness and light duties per fire officer and working days lost to sickness for all other staff. Only accidental dwelling fires showed a significant increase (9%) from 2010/11 while total number of rider shifts and days lost through sickness absence for all other staff showed significant decreases of 5% and 13% respectively. The SPIs for 2009/10, 2010/11 and 2011/12 are disclosed per Exhibit 1.

Exhibit 1: Summary of Performance in 2011/12

	2009/10	2010/11	2011/12	Trend
No. of incidents resulting in casualties	110	108	109	N
No. of fatal and non fatal casualties	129	141	154	D
No. of accidental dwelling fires	999	1004	953	I
Total no. of rider shifts lost to sickness absence and light duties	6740	6567	6243	I
Days lost through sickness absence for all other staff	2329	1767	1532	I

Key: *I* = Improving *D* = Declining *N* = No change

National performance reports

76. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 2.

Exhibit 2: A selection of National performance reports 2011/12

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|---|---|
| <ul style="list-style-type: none">• Best Value audit of Lothian and Borders Fire and Rescue Service• Scotland's public finances: addressing the challenges | <ul style="list-style-type: none">• An overview of local government in Scotland - challenges and change in 2012• The National Fraud Initiative in Scotland |
|---|---|

Source: www.audit-scotland.gov.uk

77. Audit Scotland encourages local authorities to review national reports, assess local performance against them and identify actions required to improve performance. The expectation is that these reports are presented to an audit or scrutiny committee for members to review and to question management on key issues.

Best Value

78. The Accounts Commission presented its report on the audit of Best Value (BV) in Lothian and Borders Fire and Rescue Service in March 2012. The reports findings are:
- Lothian and Borders Fire and Rescue Board provides an effective service with a clear strategic vision supported by good use of integrated risk management planning. This is helped by a strong approach to financial management, although improvements need to be made in its management of assets and equipment.
 - Its workforce planning has some strengths, for example in a noteworthy approach in the day-shift duty system, with whole-time fire-fighters working alongside retained staff. However, high levels of sickness absence levels within the service are a concern. It also needs to invest more resource in the deployment of retained fire-fighters.
 - The Commission is encouraged by the clear focus on preventative work, with innovative approaches of the service in working with its partners and engaging with communities, most notably with young people. However to make its preventative work more effective, the service needs to do more to establish the reasons behind the high casualty figures in the region.
 - The Board has good self awareness, but needs to strengthen scrutiny of the service, which requires to be supported by better quality performance information.
79. The BV report includes an improvement agenda for the Board that includes improvement activities on:

- Ensuring there is adequate management capacity to maintain the current standard of service, implement improvements and contribution to the transition Scottish Fire and Rescue Service.
 - Reviewing the factors contributing to the service having a higher proportion of casualties than other services.
 - Extending its appraisal and development arrangements to include retained fire-fighters.
 - Improving performance information systems.
80. The service presented an improvement plan to the Board in June 2012 to address the issues raised in the best value audit. The Best Value audit team have not formally assessed progress by the Board in response to the BV audit. However from their discussions and meetings with senior management and members of LBFRB, they have indicated that the Board is taking reasonable steps to deal with the issues raised in the BV report. Some of these issues are being addressed at a national level and it would be inappropriate to proceed with improvements at a local level that would not sit with the national arrangements. Our review of the Scrutiny Committee minutes indicated that the Board is responding to the BV audit by undertaking performance reviews of Corporate, Central, Personnel and Technical Services. These are submitted to the Scrutiny Committee on a quarterly basis.

Outlook

81. The Accounts Commission has developed an audit approach for the audit of Community Planning Partnerships. This approach is being piloted in the autumn of 2012 and rolled out across the sector thereafter.
82. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. We will consider progress made by the Board in implementing these requirements as part our 2012/13 audit.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Board/Scrutiny Committee
Annual Audit Plan	29 February 2012	16 March 2012
Report on financial statements to those charged with governance	30 August 2012	7 September 2012
Audit opinion on the 2011/12 financial statements	7 September 2012	7 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	5 October 2012	N/A
Report to Members on the 2011/12 audit	29 October 2012	9 November 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	19	<p>Management Information</p> <p>The management information system operated by Lothian and Borders Fire and Rescue Service to record orders for goods and services, inventory, moveable non current assets and equipment cannot produce complete and accurate management information.</p> <p>Risk: The 2012/13 financial statements may be incomplete regarding non current assets, inventories and goods received not invoiced.</p>	<p>In line with paragraph 54 of this report, compensating controls and manual records are in place to provide the necessary assurance.</p> <p>These measures will be maintained.</p> <p>The functionality provided by this stock and asset management system will be replaced by the new Service's Financial and asset management systems.</p>	Head of Central Services	2012/13 Current existing control will be maintained to the point of reform and replacement systems.
2	26	<p>Financial records</p> <p>The 2012/13 financial statements will be the last prepared by the Board prior to the establishment of the single Fire and Rescue service and there will be pressure on staff to deliver the accounts early.</p> <p>Risk: The Board's financial records may not be complete or reliable at the point of transfer to the new Scottish Fire and Rescue Service.</p>	<p>A strategy is being planned which identifies dependencies and key officers required for the early completion of the 2012/13 accounts in order to mitigate this risk.</p>	Treasurer	December 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	35	<p>Asset Management</p> <p>Audit Scotland's report on Best Value for the Board indicated that more robust systems need to be established for the management and monitoring of equipment.</p> <p>Risk: The Board is not making best use of its resources.</p>	<p>As a matter of current routine all new capital equipment acquisitions are reviewed to ensure appropriate health and safety measures are in place. The Board has an integrated asset management policy. The supporting plan for the management of operational equipment is currently being developed.</p>	Director of Service Delivery	April 2013
4	48	<p>National Agenda</p> <p>As the Fire and Rescue service moves to the establishment of a single service, a number of officers from the Board have been seconded to prepare for the implementation at 1 April 2013.</p> <p>Risk: The management of the Board may lack the capacity to maintain current standards of safety and service in the transition period.</p>	<p>This is a key risk acknowledged by the Board in March 2012. Organisational capacity is being reviewed on an ongoing basis to ensure that current standards can be maintained whilst we contribute to the preparation for the introduction of the single service. Key elements of this are the introduction of local senior officer arrangements and associated revisions to service management structures.</p>	Director of Corporate Services	<p>2012/13</p> <p>This will be reviewed on an on-going basis as we move forwards to reform.</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	50	<p>Reductions in administration staff</p> <p>In a period of change and uncertainty there is a risk that controls within key financial systems may not be as effective because staff are pre-occupied with preparing for the transition to the new Scottish Fire and Rescue service.</p> <p>Risk: Internal controls within key financial systems may not be maintained in the transition period.</p>	<p>This is a key risk acknowledged by the Board in March 2012. Organisational capacity is being reviewed on an on-going basis to ensure that current standards can be maintained whilst we contribute to the preparation for the introduction of the single service.</p>	Director of Corporate Services / Treasurer	<p>2012/13</p> <p>This will be reviewed on an on-going basis as we move forwards to Reform.</p>
6	59	<p>Internal Audit function</p> <p>The internal audit function is running below full strength and this could impact on the amount of work that can be carried out in relation to the 2012/13 financial year.</p> <p>Risk: The internal audit function may not be able to deliver on its planned programme of work in 2012/13.</p>	<p>It is anticipated that the new internal audit service delivery model will be agreed in November 2012. The new service will utilise the remaining months of the internal audit plan to address any slippage. The existing internal audit function continues to progress the current year's audit plan and will prioritise urgent requests as they arise.</p>	Treasurer	December 2012