



Final Report to the Board and the Controller of Audit on the 2012/13 Audit



5 September 2013

Members of the Scrutiny and Committee
Aberdeenshire Council on behalf of
Grampian Joint Fire and Rescue Board
19 North Anderson Drive
Aberdeen
AB15 6DW

Controller of Audit
Audit Scotland
110 George Street
Edinburgh
EH2 4LH

5 September 2013

Dear Sirs

We have pleasure in setting out in this document our final report to the Scrutiny and Committee of Aberdeenshire Council, in relation to the final audit of Grampian Joint Fire and Rescue Board for the year ended 31 March 2013, for discussion at the meeting scheduled for 18 September 2013. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2013.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- A material audit adjustment was required as a result of the Board's external valuer incorrectly including a finance cost within the valuation which is contrary to the CIPFA Code of Practice. An adjustment of £2.614 million was required to reduce the value of Property Plant and Equipment on the Balance Sheet.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.

In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Yours faithfully



Jim Boyle
Senior Statutory Auditor

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We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

The big picture

The big picture

Our audit is substantially complete and no significant issues have arisen

- Our work is **substantially complete** and we remain on timetable to issue an unmodified opinion on 18 September 2013.
- Financial statements materiality was set at £418,000 and we report to the Board all unadjusted misstatements above £8,300.
- One **material adjustment of £2.614 million** was identified and corrected by management in relation to an overstatement of property valuations. Further details have been included in Section 2 of this report.
- We believe the front half of your annual report is consistent with the financial statements and is in line with the requirements of the Code.
- Our work has highlighted **no disclosure deficiencies**.
- There have been no changes to the audit plan set out in the planning document presented to the Joint Board in March 2013.
- The financial reporting control environment remains robust and we **have no material control matters** to draw to your attention. Our controls findings have been included within Section 5 of this report.
- We did not identify any instances of fraud that have not been reported to you. See Appendix 3 for details of fraud investigations.
- A copy of the representation letter to be signed on behalf of the Board has been included at Appendix 4 of this report.
- We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised (See Appendix 2 for further detail).
- We were informed by the work of the internal auditors in relation to key financial controls to shape our audit procedures and approach.

Significant audit risks and other matters

Summary of significant audit risks and other matters

Understanding the subjective judgements and estimates

The risk table below illustrates the key audit risks identified by Deloitte which involved the highest level of judgement and impact on the financial statements.

		Acceptable range																
Property, plant and equipment valuation	Less prudent																More prudent	<p>Revaluations of PPE based on methodology and assumptions adopted by the Board's independent valuers. All operational land and buildings are revalued over a 5 year rolling programme. We have considered impairment for those assets not included in the current year valuation and no issues were noted.</p> <p>After making the material audit adjustment of £2.614 million referred to on the next page, we note that the PPE valuations are at the middle of an acceptable range.</p>
																		<p>Provision for sick pay payable to retained firefighters based on information provided by independent third parties, agreed at a national level. Agreement has now been reached with the Unions, therefore provision based on anticipated cost.</p>

Significant audit risks and other matters (continued)

Property, plant and equipment (PPE) valuation

Background

- Changes to the property market and economic environment can drive significant movements in value.
- IFRS requires assessment with significant regularity to ensure no significant divergence between carrying value and fair value of assets.
- A 5 year rolling programme of revaluations is performed by the Board's external valuers.
- Value of PPE to be transferred to SFRS to be agreed.

Deloitte response

- Deloitte obtained and reviewed the third party external revaluation performed on Land and Buildings to ensure that the valuations have been performed by suitably qualified individuals and that valuations have been made using a reasonable basis and have been performed in a timely manner.
- We have selected a sample of assets and re-performed the calculation agreeing that the correct charge or gain has been taken through the correct line of the financial statements (revaluation reserve or CIES), based on the valuations of buildings provided by the Valuer and the NBV per the Fixed Asset register. We have also agreed the revaluation reserve balance for the asset to the calculated surplus.
- Our internal property specialists have assisted us in reviewing the assumptions and methodology applied by the Valuer. With the exception of the issue of the 'instant build' assumptions, we are satisfied that the correct guidance has been followed and the correct valuation bases and methodology has been adopted. Furthermore, the two named valuers are MRICS qualified and registered as RICS Registered Valuers.

A material audit adjustment of £2.614 million was identified due to an overstatement of property valuations.

We identified that the Valuer had incorrectly included a Finance Cost in the DRC valuations which is contrary to the CIPFA Code of Practice which makes it clear that an "instant build" approach should be assumed and finance charges should not be included. As a result of this finding, the Valuer re-performed his valuations, resulting in the above audit adjustment being made.

Net book value of PPE
at 31 March 2013:
£56.008 million

13 Assets revalued
in 2012/13:
£26.020 million

Net downward revaluation:
£1.088 million

Most significant movement is
downward revaluation of
£807,000 in relation to North
Anderson Drive HQ Comms
and Workshop.

Significant audit risks and other matters (continued)

Uncommitted reserves balance

Background

- Agreement between Scottish Government and the Convention of Scottish Local Authorities (COSLA) on how the reserves will be treated as set out in the COSLA/ Scottish Ministers letter dated 12 April 2012.
- 100% of fire reserves to be passed back to constituent authorities
- Any emerging underspends should be allocated on the same basis
- There is a risk that the agreed process is not adhered to.

Uncommitted reserves brought forward £1.233 million

Overspend against requisitions for 2012/13 £0.442 million

£0.791 million due to be returned to constituent authorities

Capital Receipts Reserve and General Fund both zero at 31 March 2013.

Deloitte response

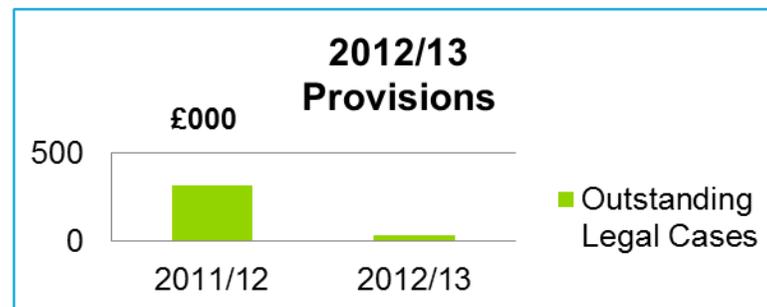
- We have reviewed the Board's arrangement for returning reserves to the three constituent authorities.
- We have performed detailed testing of accruals to assess whether the reserves have been allocated in accordance with the agreement.
- We have confirmed that appropriate disclosure has been made in relation to the transfers.

Significant audit risks and other matters (continued)

Provisions for liabilities

Background

- Significant judgement and complexity around these calculations.
- Potential claims for unfair dismissal from staff on Fixed Term contracts.
- Potential liabilities arising from voluntary severance process.
- Risk that the provisions are incorrect and incomplete.



Outstanding Legal Cases

We obtained legal confirmation from the working committee of the Retained Firefighters Union in relation to the ruling made by the House of Lords in relation to the Part Time Workers (Less Favourable Treatment) Regulations 2000 which indicates that sick pay would be payable to retained firefighters.

The 2012/13 provision of £32,000 represents the unpaid amounts agreed in 2011/12 settlement, which due to negotiations have yet to be paid. A sample were tested to supporting evidence with no issues noted.

Grampian received specific grant funding from the Scottish Government of £362,000 in relation to voluntary severance payments, therefore no provision is required.

Fall in provision in 2012/13 due to settlement of claims following House of Lords ruling

Legal Representation

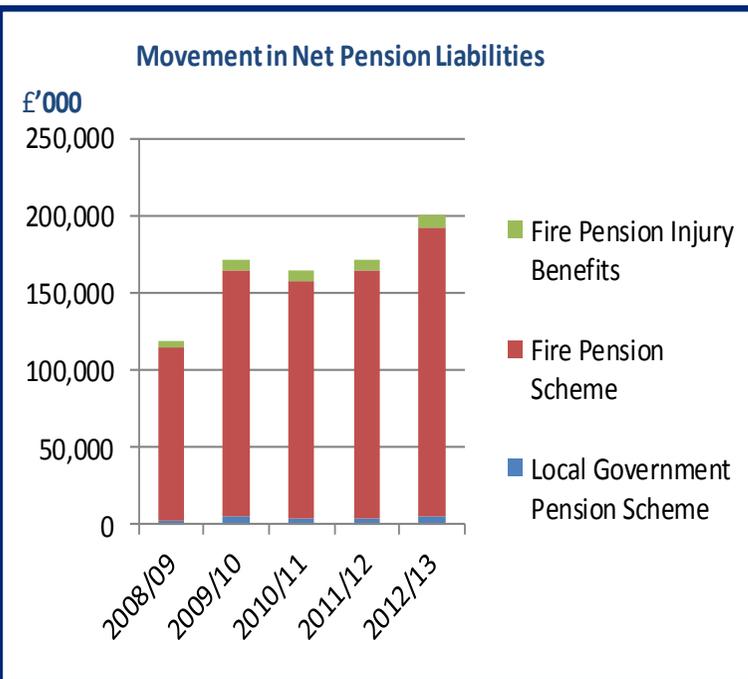
We have obtained legal confirmation from both Grampian Fire and Rescue Services legal advisors (responsible to 31 March 2013) and the Scottish Fire and Rescue Services' Legal Services Manager that no further obligations exist that have not been disclosed within the financial statements.

Significant audit risks and other matters (Continued)

Other matters - Defined Benefit Pension Scheme

The Board participates in three defined benefits schemes:

- Two Firefighters' Pension Schemes for uniformed personnel. These are both unfunded schemes, meaning that there are no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Local Government Pension Scheme for control personnel and support staff. This is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities and investment assets.



We have obtained a copy of the actuarial report produced by Mercer, the scheme actuary, and agreed in the disclosures to note 32 within the accounts noting no issues. We have also assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.

Our internal specialists have also reviewed the actuarial reports and concluded that overall, based on our experience, the set of assumptions used by the Board (when considered as a whole) lie towards the middle of the reasonable range of assumptions.

We have considered the work carried out by PwC on behalf of Audit Scotland which assessed the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2013. We concur that the assumptions used appear reasonable and in line with those being used by other organisations with a March 2013 year end.

Significant audit risks (continued)

We have no significant findings in respect of the below risks

Year-end cut-off procedures

- We have reviewed and challenged the arrangements in place for identifying liabilities in relation to the Board's operations up to 31 March 2013.
- We performed testing of expenditure and income around the year-end to assess whether it had been recorded in the correct period and tested for unrecorded liabilities.
- We tested accruals and prepayment journals to assess whether they are valid and accurately recorded.
- No issues noted.

Revenue recognition - Completeness of income

- No issues noted from our review of the treatment of income in the year, which has been accounted for in line with the Code.
- We have obtained a copy of the 2012/13 budget as approved by the Board in January 2012 detailing the requisitions due from each constituent authority, which has been agreed to the amount recognised by the Board.
- We have also agreed the requisitions as received through the bank account. No issues noted.

Capital accounting reserves

- No significant issues noted around the journal entries processed at the year-end for all capital accounting reserves.
- Sample testing of journals were found to have been processed in line with the Code.

Management override of controls

- No significant issues noted around journal entries and other adjustments made in the preparation of the financial statements.
- Our review of accounting estimates for bias that could result in material misstatement due to fraud noted no issues.
- Retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

Comments on your Annual Report and Financial Statements

Comments on the front half of your Annual Report

The front half meets current regulatory requirements

We are required to read the “front half” of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on your response to these areas:

Statement of Assurance on the Systems of Internal Financial Control

Regulations require English, Welsh and Northern Irish authorities to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any Statement of Accounts.

“Delivering Good Governance in Local Government” published by CIPFA and SOLACE recommends that the review be reported in an Annual Governance Statement. Scottish local authorities are not subject to such statutory requirements but may adopt them voluntarily. Authorities that do not voluntarily choose to do this shall include a statement on the system of internal financial control with their Statement of Accounts.

Grampian Joint Fire and Rescue Board has chosen not to publish the wider Annual Governance Statement within its statement of accounts. It has therefore included a Statement of Assurance on the System of Internal Financial Control, in accordance with the Code.

The format and content of the statement is consistent with the requirements of the Code and concludes that reasonable assurance can be placed on the adequacy and effectiveness of the Joint Boards Internal Control System in the year to 31 March 2013. No areas have been highlighted as requiring improvement, which is consistent with the findings of our audit.

Comments on the front half of your Annual Report (Continued)

Remuneration report

Local authorities are required by an amendment to the 1985 Regulations to publish a remuneration report as part of their statement of accounts.

Grampian Joint Fire and Rescue Board has published a Remuneration Report as part of its statement of accounts, in accordance with the amendment regulations. The Remuneration Report provides details of the Joint Board's remuneration policy for its senior employees, being the Brigade Managers, senior councillors, being the Convenor and Vice-Convenor of the Joint Board and senior officers being the Treasurer and Clerk of the Joint Board.

We are satisfied that the remuneration report has been prepared in accordance with the amendment regulations and is consistent with the findings of our audit.

Significant observations on your Financial Statements

Critical accounting judgements and key sources of estimation uncertainty

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our comments on the quality and acceptability of the accounting policies and estimates are discussed below.

We have assessed the disclosures based upon our review of the accounts and understanding of the organisation and the specific risks we identified as part of our planning process. We have not identified any other critical accounting judgements or key sources of estimation uncertainty that require to be disclosed. We have performed work as follows against each of these areas:

Pension liability

The balance sheet shows a net liability of £153.545 million due to the inclusion of net pension liabilities of £200.396 million falling due in future years and arising from the application of IAS 19, Employee Benefit.

We concur that it is appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due. We are not aware of any issues that would prevent the constituent authorities from providing such funding.

Going Concern

Grampian Joint Fire and Rescue Board ceased to exist at 31 March 2013.

We concur that it is appropriate to adopt a going concern basis for the preparation of the financial statements due to the change being a transfer to another public body which is classified as a machinery of government change.

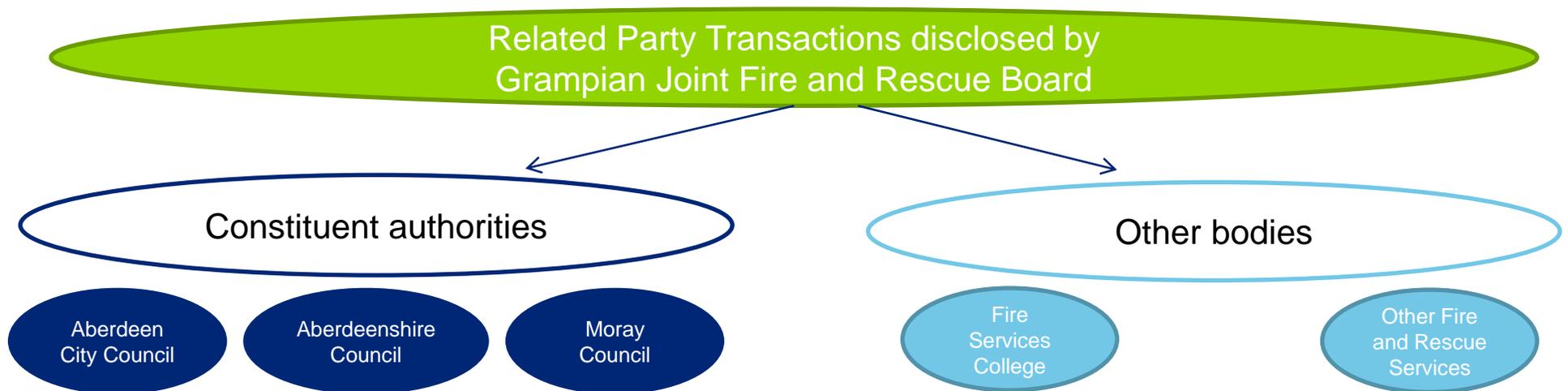
The Code specifically states that “Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. [that the functions of the authority will continue in operational existence for the foreseeable future].

Fire Reform

Significant observations on your Financial Statements (Continued)

Related party disclosure

The Code requires reporting of related party relationships, transactions and balances.



We have inquired of management whether there are any transactions that they are aware of with these parties defined by the Code, and have included a listing of Board senior management in our work on related parties.

We have not identified any undisclosed related party transactions, and consider this to be a relatively low risk disclosure for the Board.

Best value, use of resources and
performance

Best value, use of resources and performance

Financial performance and outlook

Grampian Fire and Rescue budgeted to use £1 million of reserves to achieve a breakeven position for the year to 31 March 2013. The final out-turn for the year was an underspend of £558,000, i.e. only £442,000 of the budget was funded from reserves.

	2012/13 Budget £'000	2012/13 Actual £'000	2012/13 Variance £'000
Gross Expenditure	25,755	25,305	(450)
Income	24,755	24,863	(108)
Net Expenditure	1,000	(442)	(558)

Significant variances from budget included:

- Employee Costs were £515,000 below budget as a result of a lower than anticipated activity in the retained duty system. There were also a number of vacant support staff posts throughout the year.
- Property costs were over budget by £108,000 due to the amount of work done on properties during the year.
- The Service generated extra income of £108,000 in the year, mainly as a result of staff secondments where salary recharges were made.

As all services transferred to the Scottish Fire and Rescue Service from 1 April 2013, 2012/13 was the final year that a budget was required for Grampian Fire and Rescue Service.

Best value, use of resources and performance (continued)

Other issues – Winding up of Joint Board on 31 March 2013

Background

- Joint Board was wound up on 31 March 2013, with all property, rights, liabilities and obligations transferring to the Scottish Fire and Rescue Service (“SFRS”) in accordance with The Police and Fire Reform (Scotland) Act 2012 (Supplementary, Transitional, Transitory and Saving Provisions) Order 2013 which was laid before parliament and became effective from 1 April 2013.
- Accounting and reporting obligations transfer to Aberdeenshire Council (where the Treasurer is based).
- Accounts to be laid before a meeting of the accounting authority and sent to each constituent authority and the SFRS.
- Non-financial and statistical information to also be published.
- There is a risk that the statutory obligations in relation to the preparation of accounts are not met.

We had early discussions with the Treasurer to assess whether adequate arrangements are in place for:

- preparing the draft accounts;
- laying the accounts before those charged with governance;
- making accounts available for public inspection;
- discussing and agreeing any audit issues with those charged with governance;
- final approval of the audited accounts by those charged with governance; and
- preparing all other non-financial and statistical information in accordance with required timescales.

As this is a Machinery of Government change, the adoption of the going concern basis is still appropriate.

Draft accounts prepared by 30 June 2013

Final accounts to be laid before Scrutiny and Audit Committee of the Council on 18 September 2013

Public inspection notice published 6 July 2013

No issues have arising from winding up process

Best value, use of resources and performance (continued)

Best Value and Community Planning

Best Value reviews of all eight fire and rescue services and authorities was carried out in 2011/12 with reports being issued by the Accounts Commission for all prior to a national report issued in July 2012. Audit Scotland published its BV report on Grampian Fire and Rescue Service in March 2012.

Following presentation of the BV report to the Joint Board in March 2012, Grampian Fire and Rescue Services' Corporate Management Team developed an Action Plan to monitor how the individual points raised in the BV report were to be addressed. An update on the actions was presented to the Corporate Performance Team in July 2012. At that meeting it was agreed that no further monitoring work was required as all outstanding actions were part of ongoing projects, some of which being linked to Fire Reform projects which were outwith the direct control of Grampian.

Grampian Fire and Rescue Services has taken on Board the recommendations from the BV Report and has taken action, where relevant, taking cognisance of the move to the Scottish Fire and Rescue Service on 1 April 2013.

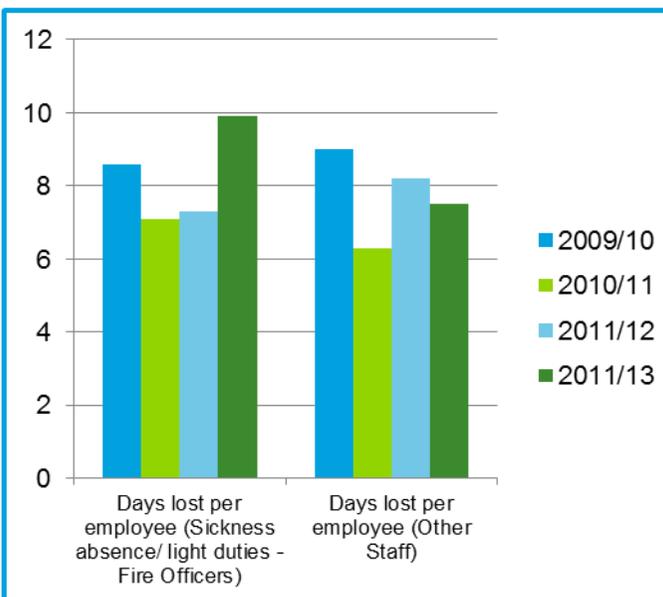
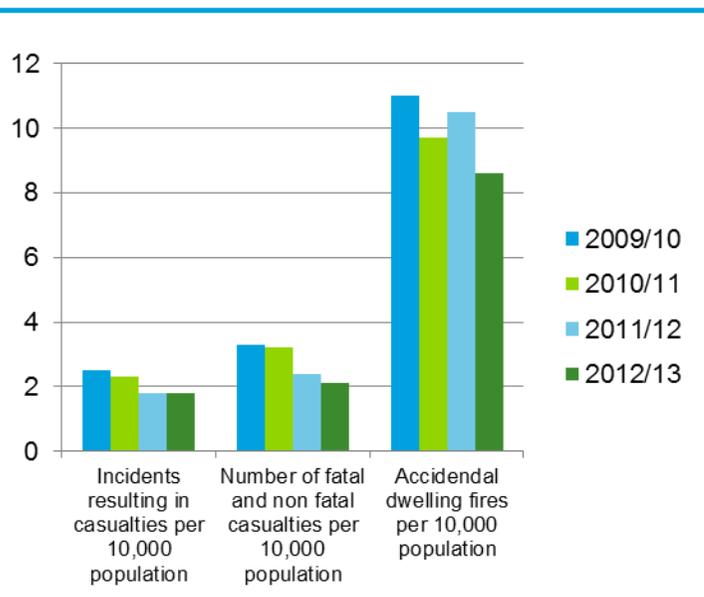
Best value, use of resources and performance (continued)

Performance Reporting and Statutory Performance Indicators (SPIs)

The board has a statutory duty to make arrangements for reporting to the public on the outcome of the performance of its functions as set out in the Local Government in Scotland Act 2003.

We have noted that Grampian Fire and Rescue continued to monitor and report a good range of performance information to members and the public during 2012/13, with measures clearly linked to its priority themes.

Regular reports were provided to the Scrutiny Committee and the Board, with more detailed reports presented to the Corporate Management Team on a quarterly basis. Performance information was also available within each station, so personnel could drill down within the system to see how they are performing in their area.



The Board has submitted the specified statutory performance indicators to Audit Scotland by the deadline of 31 August 2013. These have also been published as an Appendix to the annual accounts by the 30 September 2013.

Best value, use of resources and performance (continued)

National Fraud Initiative

We are required to monitor boards' participation in the NFI exercise during 2012/13.

Finance Manager continues to take lead role on all matches

As this is a small Board, there is a relatively low level of matches requiring follow-up

	Total matches	Total recommended to follow-up	Total processed at 31 Aug 2013
Payroll	123	27	6
Creditors	150	32	0
Total	273	59	6

As at 31 August 2013, no frauds have been identified in either the 2010/11 or 2012/13 exercises

All data was submitted to the NFI in accordance with the deadlines of September 2012, and management now has plans in place to address all of the recommended matches over the period from June to December 2013, with adequate resources being allocated to this work from the new Scottish Fire and Rescue Service.

Risk management and internal control

Risk management and internal control observations

Key controls over significant risks

In Section 1 we discussed the identified significant audit risks. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas, summarised below:

Significant Risk	Control	
Property, plant and equipment valuation	<p>A rolling programme of external valuations has been performed by the District Valuer. Journals are processed by finance staff based on information received, which is then reviewed as part of the final accounts process.</p> <p>We have reviewed the final accounts process and confirmed that the data from the Valuer has been used. A material audit adjustment was required due to the Valuer not complying with the CIPFA Code of Practice. In future, management should ensure that the appointed valuer is fully aware of the requirements of the Code.</p>	
Uncommitted reserves	<p>Agreement was made between Scottish Government and the Convention of Scottish Local Authorities (COSLA) on how the reserves will be treated for all Police and Fire Services. Accruals have been processed by finance staff based on the agreement, which were reviewed as part of the final accounts process.</p> <p>We have reviewed the final accounts process and confirmed that that appropriate accruals have been made.</p>	

Risk management and internal control observations (continued)

Key controls over significant risks

Significant Risk	Control	
Provisions for liabilities	<p>Provisions are for identified legal or constructive obligations. Due to the nature of the fire service, management is aware of their own constructive obligation or this is communicated by Parliament as something that will affect all Fire Services. Management discuss these issues and the provision made for them in the accounts at monthly board meetings.</p> <p>We have reviewed correspondence from the Scottish Government and other relevant responses, and confirmed that this has been used to calculate the provision within the financial statements.</p>	
Year-end cut off	<p>Controls are in place over financial reporting and closing procedures, recording and processing of journals. In addition, a detailed review is performed each month on the results through the financial monitoring reports, including March 2013.</p> <p>We have also reviewed the financial monitoring reports for 2012/13 confirming that they are monitored and reviewed on a regular basis.</p>	

Risk management and internal control observations (continued)

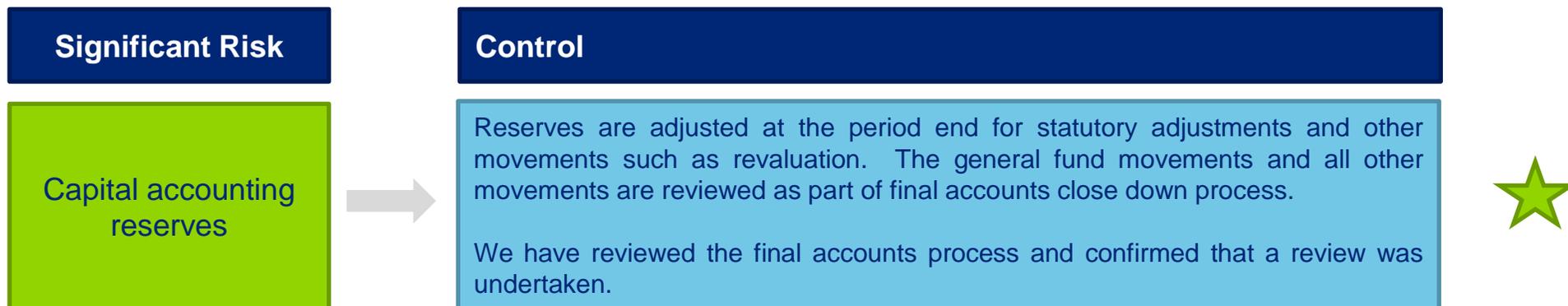
Key controls over significant risks

Significant Risk	Control
Revenue recognition – completeness of income	<p>The contributions from each of the three constituent authorities is agreed as part of the annual budget process. This is monitored during the year by the finance team and the executive management board, through the monthly finance reports.</p> <p>We have confirmed that the contributions agreed as part of the budget have been reconciled to the actual amounts received and accounted for in the financial statements.</p>
Management override of controls	<p>Controls are in place over financial reporting and closing procedures, recording and processing of journals, segregation of duties and related party transactions prevent the management override of controls. In addition, a detailed review is performed each month on the results through the financial monitoring reports.</p> <p>We have tested a sample of journal entries posted in the year and confirmed the appropriateness of the journals posted including approval. We have also reviewed the financial monitoring reports for 2012/13 confirming that they are monitored and reviewed on a regular basis.</p>



Risk management and internal control observations (continued)

Key controls over significant risks



No issues noted



Satisfactory – minor observations noted



Requires improvement



Significant improvement required

Internal audit and control

Our reliance on the work of internal was in line with plan

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit. The results of this were:

For those areas where a significant risk was identified we performed the work ourselves,

We were informed by the work of the internal auditors in relation to key financial controls to shape our audit procedures and approach

No issues were identified with the work performed by internal audit

Responsibility statement

Responsibility statement

This report should be read in conjunction with the "Briefing on audit matters" circulated to you on 30 March 2013 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Board and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent

Deloitte LLP

Deloitte LLP

Chartered Accountants
Edinburgh

5 September 2013

Appendix 1: Audit adjustments and disclosure misstatements

Audit adjustments

Corrected misstatements

We report all individual identified recorded audit adjustments in excess of £8,300 adjusted by management in the table below.

		Credit/ (charge) to current year CIES/ RR £'000	Increase/ (decrease) in Net Assets £'000	Increase/ (decrease) in prior year Net Assets £'000
Overstatement of Property, Plant and Equipment Valuations	[1]	(2,614)	(2,614)	Nil
Total		(2,614)	(2,614)	Nil

[1] The Valuer had incorrectly included a Finance Cost in the DRC valuations which is contrary to the CIPFA Code of Practice which makes it clear that an “instant build” approach should be assumed and finance charges should not be included. As a result of this finding, the Valuer re-performed its valuations, resulting in the above audit adjustment being made. As this is reversed out as a statutory adjustment within the Movement in Reserves Statement, this adjustment has no impact on the reported General Fund balance.

Uncorrected misstatements

There have been no uncorrected misstatements noted during the process of our audit work

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

Appendix 2: Independence and fees

Independence and fees

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
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Fees	The audit fee for the year has been agreed at £34,000 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland.
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Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or of any apparent breach of that policy.
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There were no non audit services fees charged in relation to Deloitte LLP in the period from 1 April 2012 to 31 March 2013.

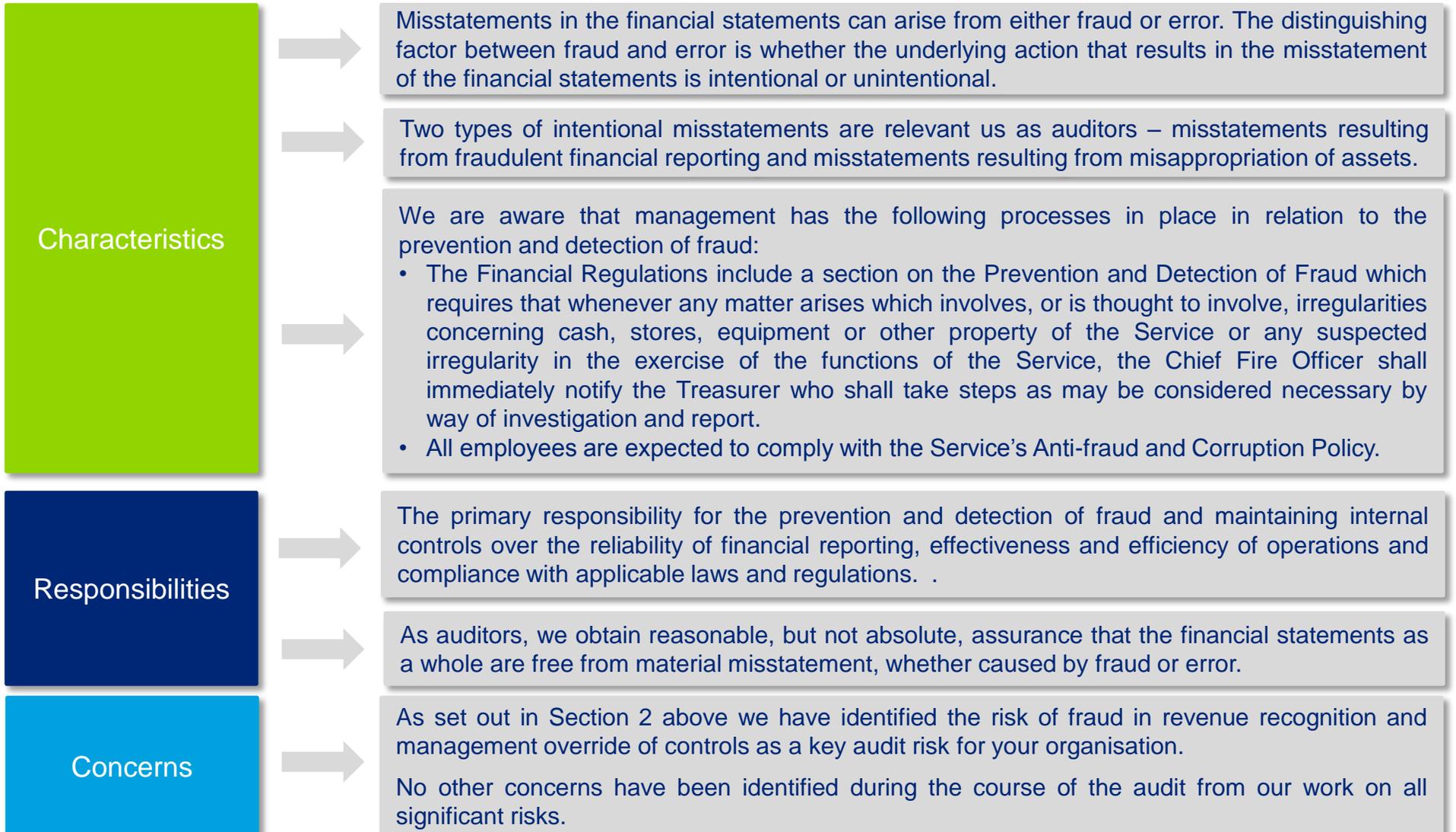
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.
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We are not aware of any relationships which are required to be disclosed.

Appendix 3: Fraud considerations

Fraud considerations

The following represents a reminder of the fraud enquiries made at the planning stage of the audit:



Appendix 4: Representation letter

Representation letter

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom

Our Ref: GFRS/2013

Date: at time of signing

Dear Sirs

This representation letter is provided in connection with your audit of the annual financial statements (“the financial statements”) of Grampian Joint Fire and Rescue Board for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Grampian Joint Fire and Rescue Board as of 31 March 2013 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom. We are aware that it is an offence to mislead a Board auditor.

As Accounting Officer and on behalf of the board, I confirm to the best of my knowledge and belief, the following representations.

Financial statements

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which give a true and fair view, as set out in the terms of the audit engagement letter.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

Representation letter (continued)

3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures"*.
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. We confirm that the financial statements have been prepared on the going concern basis. While Grampian Joint Fire and Rescue Board ceased to exist at 1 April 2013, we confirm that it is still appropriate to adopt a going concern basis for the preparation of the financial statements due to the change being a transfer to another public body, which is classified as a machinery of government change. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. We have considered the valuation of the Board's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation in the current year
8. With respect to the revaluation of properties in accordance with the Code:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - c) the disclosures are complete and appropriate.
 - d) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.

Representation letter (continued)

9. We confirm that we consider that depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.

Information provided

10. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

11. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

12. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects Grampian Joint Fire and Rescue Board and involves:

- (i) management;
- (ii) employees who have significant roles in internal control; or
- (iii) others where the fraud could have a material effect on the financial statements.

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Representation letter (continued)

16. We are not aware of any actual or possible instances of non-compliance with laws and regulations.

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

18. No claims in connection with litigation have been or are expected to be received.

19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

20. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

21. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed as Accounting Officer, and on behalf of the Board

Appendix 5: Additional resources available to you

How to keep you up to date: Financial Reporting

IAS Plus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the internet about international financial reporting for accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>

IFRS Podcasts

Our leading experts provide you with a short discussion on new IFRS standards and practical insights. These can be accessed via our website. www.deloitte.co.uk/audit. Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

Publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing compreh



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