

Scottish Fire & Rescue Service

Annual Report to the Board and the Auditor General for Scotland 2014-15

6 November 2015



Executive summary

2014-15 has been a positive year for the Scottish Fire & Rescue Service (the Service). The Service has built on the firm foundations established since April 2013 and has made progress in a number of key areas. The Audit Scotland review confirmed that the merger and establishment of the national service had been well managed. There has been good progress in meeting most key performance targets although sickness absence remains an on-going challenge. Real progress has been made in moving all employees to the new iTrent payroll system which will generate benefits in terms of reduced processing costs and better management information. There are however challenges ahead. The future funding position is unclear however it is likely the Service will need to continue to secure further efficiencies going forward. The work that is being done by the leadership team to consider potential future scenarios should put the Service in a good position to respond to the challenges. It is important the Board and Senior Leadership Team continues to look at new ways of working to help drive efficiency.

Financial statements

- We provided an unqualified opinion on both the financial statements and on the regularity of transactions for the 2014-15 financial year.
- The draft financial statements, which were received in late August 2015 were of good quality and we have identified no significant errors or misstatements. The process for producing the financial statements has clearly improved from last year, which is encouraging given the significant amount of time that has been spent implementing the new single payroll system. We experienced some delays in obtaining supporting information and this had an impact on the completion of the audit.
- Our audit is now complete. Following the presentation our draft Annual Report to the Audit And Risk Assurance Committee on 20 October 2015, we have concluded on the remaining procedures and have no further matters to communicate to the Board.
- We have reviewed key judgements made by management and disclosure of accounting policies and found all policies to be in line with FReM requirements.
- We worked with management and the Scottish Government to clarify the evidence available to support the preparation of the accounts on a going concern basis.

Governance

- In May 2015 Audit Scotland published the findings from their detailed review of the Scottish Fire & Rescue Service. The main findings from the review was that the merger had been managed effectively. The Board is starting to perform well and is committed to further improvement.
- The Service reported through their Governance Statement that there was a generally sound system of risk management and internal control in place during 2014-15. Our audit work is on-going but supports this assessment.
- We have reviewed the processes and procedures for preparing the Annual Governance Statement to ensure compliance with the Scottish Public Finance Manual and found the assurance arrangements to be well structured and properly evidenced.
- The Service's Internal Auditors, the Scottish Government's Internal Audit Service, provided 'reasonable assurance' on the adequacy of the Service's risk management, control and governance framework.

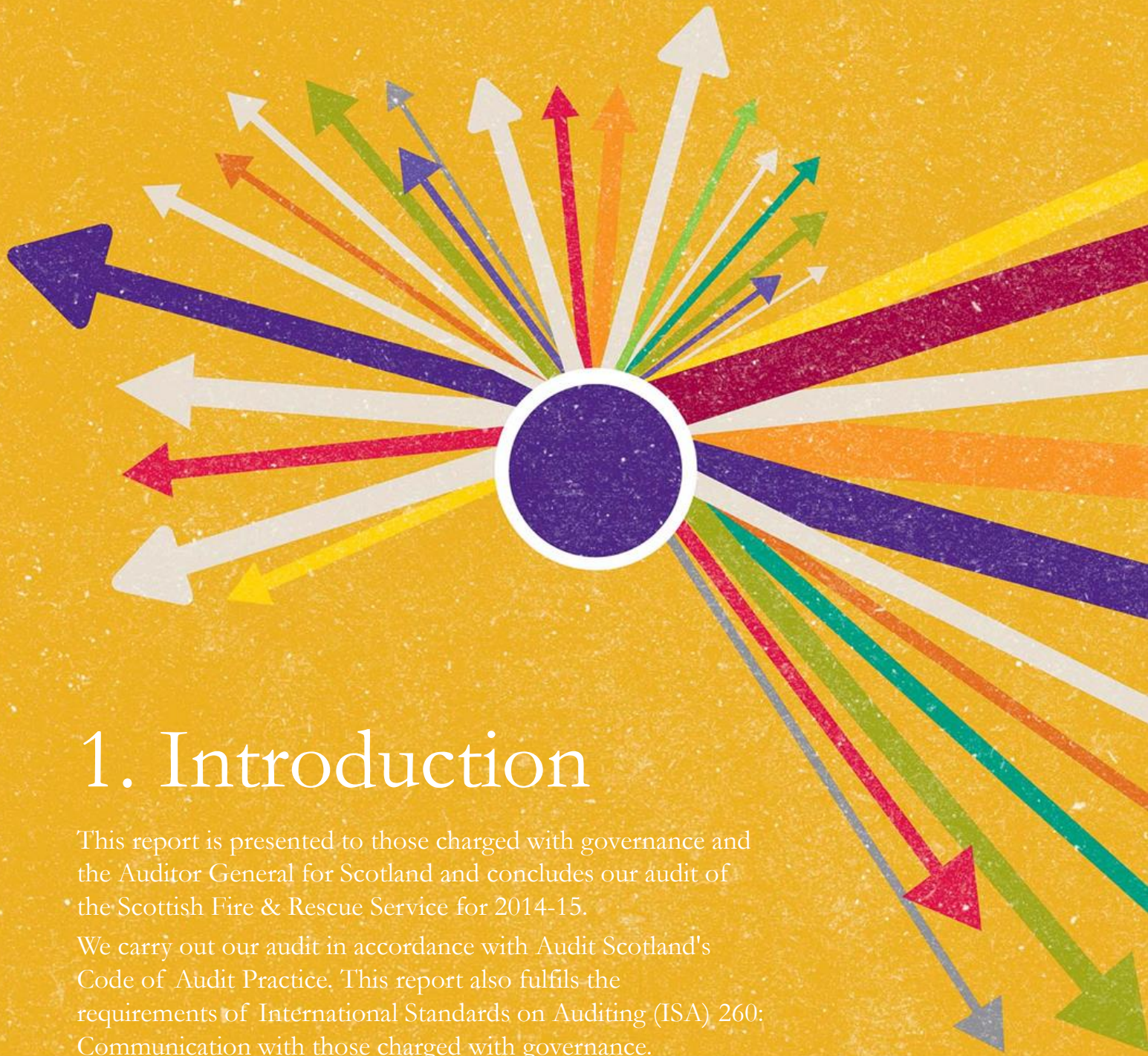
Best value, use of resources and performance

- The Service lived within its delegated resource budget in 2014/15 of £263.517m and delivered an underspend of £1.347m against the Delegated Expenditure Limit (DEL). Action was taken to address the financial pressures experienced at the start of the year. In overall terms there was an underspend on employee costs that was in part off-set by advanced expenditure on running costs, including personal protective equipment.
- Looking ahead it is anticipated that the Service will continue to face a tightening financial position. Whilst at the time of drafting this report the Scottish Government has not been able to provide details of the funding position for 2016/17, there is a realistic expectation that further reductions in planned expenditure will need to be made. Audit Scotland in its report earlier this year identified that future cost pressures and reductions in funding could result in a funding gap of £42.7m in 2019/20. Action is being taken to deal with this situation and in particular the leadership team are considering a number of potential scenarios for the future and what this will mean for the Service.

Contents



Section	Page
Introduction	4
Financial statements	7
A summary of our Audit Plan relating to financial statements	9
A reminder of our approach	10
Audit findings against significant risks	11
Audit findings against reasonably possibly risks	12
Accounting estimates and significant judgements	14
Other areas of audit focus	15
Governance	16
Value for money, Use of resources & Performance	21
Appendices	27



1. Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of the Scottish Fire & Rescue Service for 2014-15.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

Introduction

Purpose of this report

The Auditor General for Scotland appointed Grant Thornton UK LLP as auditor of the Scottish Fire & Rescue Service ('the Service') for the period to 2015-16. This appointment is made under the Public Finance and Accountability (Scotland) Act 2000.

Our annual audit report is addressed to those charged with governance at the Service, and the Auditor General for Scotland. The report summarises our opinion and conclusions on significant issues arising from our audit. The scope of our audit work was set out in our Audit Plan, which was presented to the Audit and Risk Assurance Committee on 4 March 2015.

The Service's responsibilities

It is the responsibility of the Service and the Accountable Officer to prepare the financial statements in accordance with the HM Treasury Government Financial Reporting Manual (the FReM).

This means the Service must:

- prepare financial statements which give a true and fair view of the financial position of the Service and its income and expenditure for the year to 31 March 2015
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

The Service is also responsible for establishing proper arrangements to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources.

Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice ('the Code') which was published in May 2011, and is approved by the Audit Scotland and the Auditor General for Scotland.

The Code highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that audits in the public sector must be planned and undertaken from a wider perspective than the private sector. Our responsibilities are outlined in **Figure 1**.

We are required to provide an opinion on the financial statements and Annual Governance Statement. Under the Code we are also required to review and report on the governance arrangements, Best Value, use of resources, and performance.

Under the requirements of the International Standard of Auditing (UK and Ireland) ('ISA') 260: Communication with Those Charged with Governance, we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance. This annual report to the Service, together with previous reports to the Audit and Risk Assurance Committee throughout the year, discharges our ISA 260 commitments.



Acknowledgements

We would like to take this opportunity to record our thanks for the assistance provided by the Chief Officer, Director of Finance & Contractual Services and the finance team during the course of our work.


Figure 1: Our responsibilities under the Code of Audit Practice

Financial Statements 

- Provide an opinion on:
- whether the financial statements provide a true and fair view of the financial position of the Service
 - whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of expenditure and income

Corporate governance 

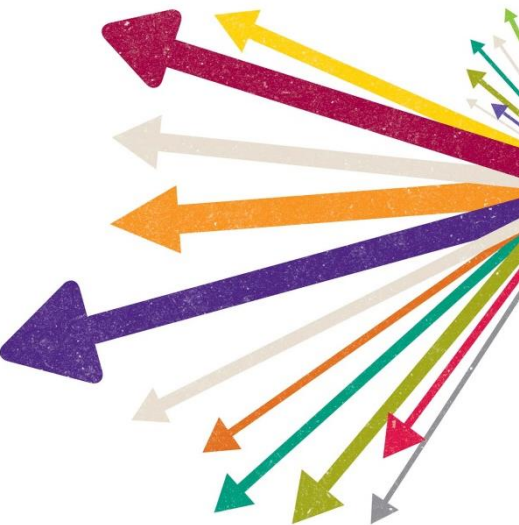
- Review and report on the Service's corporate governance arrangements as they relate to:
- the Service's corporate governance and systems of internal control, including reporting arrangements
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption

Best Value and performance 

- The Public Finance and Accountability (Scotland) Act 2000 gives the Auditor General the right to initiate examinations into the economy, efficiency and effectiveness with which the Service and other public bodies have used their resources to discharge their functions.
- In accordance with guidance issued by Audit Scotland, the Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value.
- In accordance with guidance issued by Audit Scotland, auditors may be requested to participate in a performance audit, an examination of the implications of a particular topic for the Service at a local level or a review of the Service's response to national recommendations. In 2014-15 we have completed a baseline assessment of the financial capacity at the Service

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks are only those that have come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Communication of the matters arising from our audit work does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.



2. Financial statements



Financial Statements

Introduction

Within this section of the report, we present our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 4 March 2015.

Our Review of the Financial Statements

The draft financial statements, which were received in late August 2015 were of good quality and we have identified no significant errors or misstatements. The process for producing the financial statements has clearly improved from last year, which is encouraging particularly given the significant amount of time that has been spent implementing the new single payroll system. We experienced some delays obtaining supporting information in relation to our selected samples and this has had an impact on the completion of the audit.

As part of our work on the financial statements we are required to review the narrative elements of the Annual Report. We review the narrative elements for compliance with required FReM disclosures, for consistency with other areas of the financial statements and our knowledge of the Service.

Our review of these reports is now complete and we suggested some minor amendments to management which have been incorporated in the final document. No significant departures have been noted between the narrative commentary and the requirements of the Government Financial Reporting Manual (the FReM).

Financial Statements Opinion

Our audit work to date has not identified any significant misstatements which we are required to draw to your attention. We have identified a small number of disclosure amendments which have been discussed with management and summarised at [Appendix A](#). Management have reflected these changes in the final Annual Report and Accounts.

We have issued an unqualified opinion on the financial statements of the Service.

Regularity

We have not identified any instances of irregular expenditure or non-compliance with laws and regulations.

Whole of Government Accounts

We have completed our review of the Service's WGA submission and have not identified any significant issues. We issued a clean opinion on the WGA submission and have filed the Service's workbook alongside our Assurance Statement with the National Audit Office.

Remuneration report

We have reviewed the information contained within the Remuneration Report, including the median pay disclosure. We are satisfied that the audited parts of the information have been properly prepared in accordance with the guidance.

A summary of our Audit Plan relating to financial statements



A reminder of our approach

Scope of the Audit

We operate a risk based audit approach. The starting point for our audit was to consider the inherent risks to the Service and how these may result in a material misstatement in the accounts. We identified one significant risk and three reasonably possible risks which have been outlined at **Table 1** and **Table 2**. Systems linked to those areas where we had identified a risk were subject to increased audit focus including consideration of the control environment, in particular whether the systems were operating effectively.

We conduct a range of audit procedures across all balances above performance materiality, including analytical review, agreement to third party confirmations and sample testing. Throughout the audit we have tailored the level of procedures to take account of the level of assessed inherent risk.

We also consider all disclosures in the financial statements and assess compliance with the FReM, the Scottish Public Finance Manual (SPFM) issued by the Scottish Government and whether disclosures are consistent with the information gathered from our audit work.

We did not identify any new areas of risk or change our approach over the course of the audit.

Application of Materiality

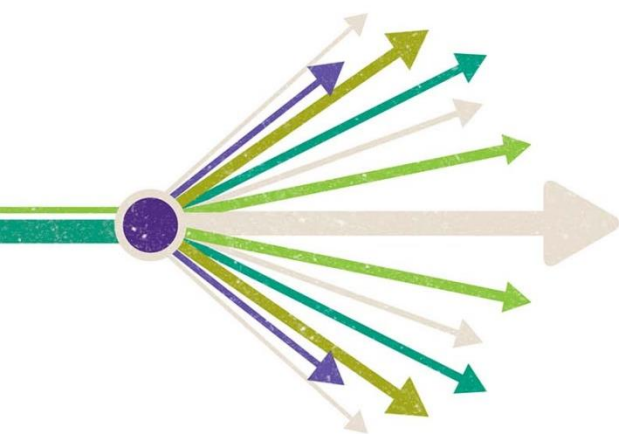
We outlined in our Audit Plan that we had adopted a planning materiality threshold of £5.198m based upon Budget Monitoring reports to December 2014. It is normal practice for auditors to subsequently consider their materiality threshold again following receipt of draft financial statements and updated outturn information. Following a review of the March 2015 Budget Monitoring Report we updated our materiality calculation to £6.364m.

The primary focus of the Service is to deliver a modern, effective and efficient Fire and Rescue Service to meet the expectations of the Scottish Government's Fire and Rescue Framework for Scotland. We used the Total Managed Expenditure of the Service, which sums £318.175m, to set the overall materiality at 2%.

In addition to overall materiality we also establish a level for performance materiality, which as defined by ISA 320 is the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We set our performance materiality at 75% of materiality which gave a measure of £4.773m.

At all times throughout the audit we have assessed the impact on the financial statements. Items which were considered material by nature (eg cash and remuneration report disclosures) were subject to a higher degree of audit scrutiny.



Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards. However, as shown in the table below, we have rebutted the risk around revenue recognition leaving one significant risk applicable to the Service.

Table 1: Significant risks identified at the planning stage

Risks identified in our Audit Plan	Work completed	Assurances and issues arising
<p>1 Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> Review of accounting estimates, judgements and decisions made by management Testing of journal entries Review of unusual significant transactions Agree the financial statements and disclosures to the general ledger where applicable 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and journal entries have not identified any significant issues.</p> <p>We noted a number of journals posted with no narrative descriptions. We have recommended that this is addressed and have included a point within our action plan at Appendix B.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>
<p>2 The revenue cycle includes fraudulent transactions</p> <p>Under ISA 240 (UK&I) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA (UK&I) 240 and the nature of the revenue streams at the Service, we determined the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of central government, including the Service, mean that all forms of fraud are seen as unacceptable. <p>The most significant area of revenues was grant funding totalling £305 million (91% of income). We have substantively agreed grant funding to award letters.</p>	<p>Our work confirmed that revenue had been recognised appropriately in the financial statements and this risk has been rebutted.</p>



Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty

(ISA (UK&I) 315).

Audit findings against reasonably possibly risks

Reasonably possible risks are other risk areas which we have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Table 2: Reasonably possible risks identified at the planning stage

Trans cycle	Description of risk	Work completed	Assurances gained and issues arising
Operating Expenses	<p>Operating expenses/payables and accruals are understated or not recorded in the correct period</p> <p>There is an element of estimation uncertainty for accruals which may require estimation techniques and management judgement</p> <p>There is a risk that payables may not be recorded within the correct financial year and liabilities may be understated</p>	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation to confirm the purchase ledger is operating effectively Checking a sample of expenditure, year end creditors and accrual transactions to ensure they have been appropriately accounted for "Cut-off" testing of expenditure recorded in the initial periods of 2015-16 was reviewed for unrecorded items of 2014-15 expenditure 	<p>Our review of the control environment surrounding the operating expenses cycle did not produce any issues which we are required to report.</p> <p>Our testing of a sample of 20 transactions relating to operating expenditure during the year has delivered satisfactory assurance over the operating expenses population.</p> <p>Our initial cut-off testing approach involved a random sample of ten expenditure transactions from March 2015 and April 2015. Our sample from March 2015 revealed no issues. Two invoices were noted within our April 2015 sample which upon inspection should have been accrued for/held as creditors as at 31/3/15. These were not noted on account of the closedown procedures taking place in late April. The errors are trivial in amount at £1,030 and £18. However given the size of the sample, we extended our testing. We selected five April 2015 items above our trivial level of £250,000. We have received invoices to support each of these items and the Service has made appropriate accruals for each item within the financial statements.</p>
Employee remuneration	<p>Employee remuneration accruals understated</p> <p>Employee costs accounted for 82% expenditure in 2014-15. There are a large number of transactions processed throughout the year and the payroll was processed across eight different systems, seven of which are provided externally</p> <p>There is a risk that payroll amounts are incorrectly recorded and accrued at the end of the year.</p>	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation for payment of staff Substantive testing of payroll accruals at the year end Substantively testing of a sample of payroll transactions to confirm the accuracy of the transaction and existence of the employee Review of the Remuneration Report and exit package disclosures Review of controls in place over the data migration and transfer of payroll functions in-house during the year 	<p>Our walkthrough procedures did not encounter any issues which we would be required to report to you.</p> <p>Our work on the Service's wage related accruals has not identified any errors and we consider management's estimates to be appropriate.</p> <p>Our substantive testing of a sample of the Service's employees has not identified any issues for your attention.</p> <p>As noted earlier within this report, we are satisfied with the Service's Remuneration Report and from our detailed testing are satisfied with the treatment of exit packages reflected within the body of the Remuneration Report.</p> <p>We have reconsidered the timing of our review of the controls and data migration exercise surrounding the payroll function on account of the timing of our audit procedures. We will report to the Board on this item in subsequent reports pertaining to the 2015-16 audit.</p>

Audit findings against reasonably possibly risks (continued)

Table 2: Reasonably possible risks identified at the planning stage (continued)

Trans cycle	Description of risk	Work completed	Assurances gained and issues arising
Fire fighters pension scheme	<p>Payments to pensioners are incorrectly calculated</p> <p>Payments to retiring officers are low in volume but high in value and the Service is reliant on effective controls both within and outside the organisation to ensure that payments made are valid and accurate</p>	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation for administering the pension payrolls and payments to retirees which includes verifying the existence of retired staff A sample of lump sum payments was reviewed for eligibility and accuracy Predictive analytical review of pension payroll expenditure 	<p>Our work has not identified any significant issues or material misstatements. There is however scope to strengthen controls going forward.</p> <p>We recommend the Service undertakes a frequent reconciliation of the pension membership scheme numbers between their HR and Payroll records. A monthly review of the pension payroll amounts will also identify unusual movements and allow the Service to confirm that amounts meet their expectations. This has been reflected as a management action within our Action Plan at Appendix B.</p>

Accounting estimates and significant judgements

Assessment

- Marginal accounting policy which could potentially attract attention from stakeholders
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the financial statements.

Table 3: Accounting estimates and significant judgements

Accounting area	Summary of policy	Our comments	Our assessment
Revenue recognition	<ul style="list-style-type: none"> Grants receivable: Grant in Aid received for revenue, capital and running costs purposes and other Government grants are regarded as financing and are credited to the income and expenditure reserve. 	<ul style="list-style-type: none"> The accounting policies for 2014/15 were approved by the Audit and Risk Assurance Committee on 9 June 2015. Management have included the revenue recognition policy in note 1.5 to the financial statements The revenue recognition policies are appropriate under the Government Financial Reporting Manual. The disclosure in the draft accounts was found to be reasonable and in line with prior years 	●
De-minimis level for accruals and prepayments	<ul style="list-style-type: none"> The Service do not account for any accruals or prepayments which are under £1,000. 	<ul style="list-style-type: none"> The Service has a number of transactions at the year end which are low value and need to be accrued. We concluded that a level of up to £1,000 would not result in a material misstatement. We have conducted testing in year to confirm that this is still a valid assessment. We found there is a low risk of material misstatement arising from this deminimus level. Based on our testing we can conclude this judgement is being applied consistently. 	●
Estimates and judgements – pension fund liability	<p>The Service recognises the cost of providing pensions to former employees over the period in which entitlement to the benefits is earned. And adjustment is then made to reflect the charges required under IAS 19.</p>	<ul style="list-style-type: none"> The employee benefit accounting policy is appropriate. The extent of judgment involved is set out in note 2 to the financial statements together with an appropriate sensitivity analysis. Key assumptions used by the actuaries, for example, discount rates, life expectancy, increase in salary, have been reviewed by management and are concluded to be in line with industry norms, recognising the particular circumstances affecting fire fighters 	●
Other estimates and judgements	<p>Other key estimates and judgements are:</p> <ul style="list-style-type: none"> Useful life of assets and capital equipment Provisions 	<ul style="list-style-type: none"> Our review of the estimates and critical judgements applied in the financial statements were considered to be reasonable. 	●

Other areas of audit focus

Internal controls

We update our understanding of the Service's operations and key financial control systems each year and tailor our audit strategy to focus on key risk areas.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. During our interim audit, we conducted testing on the following areas:

- payroll
- fire fighters pensions
- operating expenses.

We did not identify any significant deficiencies or material weaknesses arising from our testing of the systems above. Overall, the results of our interim testing confirmed that there is a sound system of internal control covering key financial systems operated by the Service.

We have included a small number of recommendations to improve the Service's system of internal control (mainly surrounding reconciliation checks) within our action plan – [Appendix B](#).

Going Concern

We have again carefully considered management's assessment that it is appropriate to prepare the accounts on the basis the Service is a going concern, despite the significant negative net worth. We note the legislative framework for meeting fire fighters pension liabilities and the funding settlement for 2015/16. In the absence of an outline funding settlement for 2016/17 management sought confirmation from the Government that the accounts should be prepared on a going concern basis. Following helpful discussions with the sponsor Department, confirmation was received that there was no reason why the Service should not prepare its accounts on the going concern.

Sustainability reporting

The FReM requires central government bodies to include a section in their annual report which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report.

Public Sector Sustainability Reporting- Guidance on the Preparation of Annual Sustainability Reports was published by the Scottish Government and outlines the minimum reporting requirements covering areas such as:

- greenhouse gas emissions
- waste minimisation and management
- finite resources
- action on biodiversity
- sustainable procurement

Our review of the Service's Sustainability report has not noted any issues for your attention.

Related Parties

We are not aware of any related party transactions which have not been disclosed and our work has not noted any relationships or balances which we feel should be presented as a related party item.

3. Governance



Governance

Introduction

Under the Code of Audit Practice, we have a responsibility to review the Service's corporate governance arrangements.

In May 2015, the Scottish Government published the updated [On Board](#) guidance for Board members, which provides support on key areas including corporate governance, ethics and standards of behaviour and effective financial management.

Annual Governance Statement

Under the Treasury's Financial Reporting Manual (FRoM), the Board must prepare an Annual Governance Statement within the Annual Report and Accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the Annual Governance Statement as it forms a key summary of the Service's governance ethos, and provides assurances around the achievement of the organisation's strategic objectives.

The statement should be informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the organisation's risk profile and its responses to identified and emerging risks.

The SPFM does not prescribe a format for the Annual Governance Statement, but sets out minimum requirements for central government bodies. We reviewed the Service's Annual Governance Statements as part of our audit procedures and concluded that the disclosures were in line with the FRoM and our knowledge of the Service.

Each Director completes an annual self-assessment return against the Scottish Government's Internal Control Checklist to certify that they are content with the assurances provided by their managers and that there are no significant matters that should be raised specifically within the Annual Governance Statement.

The Accountable Officer also refers to the work of internal and external audit when forming his view on the strength of internal controls.

Board structure

As part of the annual review of effectiveness of the Board, a review of the committees was carried out via individual self assessments and Board workshops. The Board priorities were reviewed and assessed against the current committee structure. As a result, a new committee structure was established, effective from April 2014.

Three new committees have been established as part of the review:

- Performance Committee
- Engagement Committee
- Staff Governance Committee

The following committees have been demised, with key aspects of their governance replaced by the Engagement and Staff Governance Committees:

- Employee Partnership Forum (see below)
- Local and Stakeholder Engagement
- Staffing Issues

The Employee Partnership Forum has been stood down as a standing committee, but continues to operate as a joint problem solving forum that underpins the Service's Working Together Framework.

The committee structure will be reviewed annually to ensure that the governance arrangements of the Board are aligned to the Board priorities. This is good practice and shows the Board's self awareness of ensuring that the structures in place are relevant, this is particularly important during the first few transformative years of the organisation. The Audit Scotland report was positive in their review of the Board and found that the Board is starting to perform well and is committed to continual improvement.

Each committee will be required annually to provide evidence of how they have performed through a 'Value Statement' which they will submit to the Board.

Audit and Risk Assurance Committee effectiveness review

Strategic Planning, Performance and Communications Directorate (SPPC) with support from the Improvement Service, developed a process for the self-assessment and within this, a bespoke self-assessment checklist survey. This survey was developed using the Public Service Improvement Framework (PSIF) and consideration of:

- The Audit Committee Self-Assessment Questionnaire utilised by ARAC in 2014
- The ARAC action plan developed in response to 2014 review
- Self-Assessment in Community Planning Partnerships (IS) toolkit
- The Good Governance Standard for Public Services Guidance
- CIPFA International Framework on Good Governance in Public Sector

The Audit Risk and Assurance Committee completed their self assessment using the Performance Service Improvement Framework (PSIF) approach. The Service will reflect on the suitability of this approach and will conduct further reviews of Board and Committee effectiveness using a system that takes account of lessons learned from this pilot.

The Committee considers that it has operated in accordance with its terms of reference, pursuing the appropriate issues of risk assurance and internal control, and that its challenge and scrutiny function has been strong. A 15 point action plan to strengthen arrangements has been developed covering areas such as:

- Leadership
- Governance and accountability
- People
- Impact

The Committee has demonstrated a mature approach to the self evaluation, which is in line with Audit Scotland's findings in relation to the Board's commitment to continuous improvement.

HMFSI reviews

During the year Her Majesty's Fire Service Inspectorate (HMFSI) have carried out five reviews:

- Performance management information systems
- Risk based operational decision making
- Emergency medical response
- Equal access to national capacity
- Preparedness of the Scottish Fire and Rescue Service for the XX Commonwealth Games

Overall the reports have not identified any significant issues, however there a number of key findings which the Service need to focus on going forward.

Management have processes in place to produce and monitor action plans arising from the findings of the reviews. The action plans are monitored by the Performance Improvement Forum which reports to the Audit and Risk Assurance Committee.

Six monthly updates on the progress against the recommendations made in the Overview of the Scottish Fire and Rescue Service report, published in November 2013, are presented to the Audit and Risk Assurance Committee. There is a 54 point action plan currently showing 6 amber and 1 red rated status for delivery against deadline.

The red rated action relates to the implementation of a nationally applicable document and record management system. The Service currently has an interim solution in place whilst plans are formed to fully implement the new platform. Given the scale of the project and requirement to migrate a wealth of legacy regional information, the Service will require a detailed review of requirements and due consideration of the scope of the final system. The delay to the red action point is due to availability of resource within the ICT team to perform such a scoping exercise and form an implementation plan. The Service is actively taking steps to replace capacity within the ICT team to allow due consideration and review before implementation. It is expected that the ICT architecture will be delivered by the team in subsequent years.

It is expected that the new Chief Inspector will want to review the programme of inspections on their appointment, as such a detailed forward plan has not been submitted to SFRS.

Internal audit

The Service has a co-resourced Internal Audit function (managed by the Scottish Government Internal Audit Division) which is supported by two in house internal auditors. Internal Audit has confirmed compliance with Public Sector Internal Audit Standards as part of their Annual Report.

Internal Audit is required to provide an annual opinion to the Audit Risk and Assurance Committee on the assurance framework. In 2014-15, they issued the following opinion:

"The approved SFRS audit programme for 2014/15 has now been substantially completed and we are able to provide Members with Reasonable Assurance in respect of SFRS' risk management, control and governance arrangements.."

Two reviews provided limited assurance:

- Procurement Card Management and Monitoring Arrangements
- Procurement: Governance, Operations and Contract Management

The service considers the common challenge in these areas relates to adequate and appropriate resourcing.

In addition, Internal audit have identified a number of high, medium and low priority recommendations during the 2014-15 programme.

In 2015-16 the Internal Audit programme focuses on:

- Workforce and succession planning
- partnership arrangements with third parties and stakeholder engagement
- iTRENT Payroll Roll out project and centralised payroll controls
- Risk Management/Business Continuity/Insurance arrangements
- Performance Management Arrangements
- Records Management
- Banking, Income and Cash Management
- Travel and Subsistence: Leased car arrangements

As set out in our audit plan we reviewed the work of Internal Audit to inform our audit approach. However, we did not place reliance on any specific Internal Audit work undertaken in 2014-15.

Internal Audit have completed their plan for 2014-15 as agreed with the Audit and Risk Assurance Committee and have provided detailed updates to the Committee.

Risk management

Each Directorate and project has its own risk register which are reviewed by the SLT. It is the SLT's responsibility to identify those risks which are strategically important and include in the Corporate Risk Register which is subject to quarterly update reviews by the Audit and Risk Assurance Committee.

It is expected that the planned full review of the Corporate Risk Register will be later than the agreed initial timeline of April 2016 to enable the Corporate Risk Register to reflect the revised strategic plan.

There are currently 16 Corporate Risks which include:

- failure to secure financial sustainability
- failure to meet statutory obligations
- failure to meet performance targets
- failure to attract and retain staff with appropriate skills

Despite the mitigations in place, only two risks have reduced since September 2014 and one new risk has been added.

Prevention and Detection of Fraud and Irregularity

The integrity of public funds is a key concern for the organisation and for auditors. As external auditors, we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

The Service have an established Anti-Fraud Policy which is designed to promote an anti fraud culture. This is supplemented by a Whistleblowing policy which has been designed in line with the requirements of the Public Interest Disclosure Act 1998. The Chief Officer has overall responsibility for ensuring there are adequate controls in place for managing the risk of fraud.

The Service also participates in Audit Scotland's National Fraud Initiative. During 2014-15 the data matching exercise found 1,305 matches (573 relating to the payroll process and 732 relating to creditors). To date the Service has investigated just over 10% of matches and has set a target date of 31 December 2015 to complete the exercise. The results of the exercise included the identification of duplicate invoicing by suppliers (approx £89k), which the Service's Accounts Payable function has appropriately responded to by implementing additional check controls. We have recommended point for management to continue to follow-up on matches. **Refer to Action Point 3.**

Our enquiries of management found that there were no internal frauds identified during 2014-15.

Arrangements for maintaining Standards of Conduct and detection of corruption

In line with the Ethical Standards in Public Life etc (Scotland) Act 2000, the Service has established a Code of Conduct for Board Members, which was approved in 2014. Declarations of interest are maintained annually for each member of the Board and requests are made at the commencement of each Board meeting for members to declare any interests held.

In addition a code of conduct for all staff is in place.

4. Value for Money, Use of Resources and Performance



Value for money

Audit Scotland Review of the Scottish Fire and Rescue Service

In May 2016 Audit Scotland published the findings from their detailed review of the Scottish Fire and Rescue Service. The main findings from the review were:

- the Scottish Government and the Scottish Fire and Rescue Service managed the merger of the eight fire and rescue services effectively. There are however significant challenges ahead
- the Board of the Scottish Fire & Rescue Service is starting to perform well and is committed to continue improving how it performs
- the delivery of expected savings is on track however future cost pressures and reductions in funding result in an expected funding gap of £42.7m in 2019/20
- the Service needs to develop a longer-term financial plan with detailed options identified for delivering the likely level of savings and efficiencies.

Steps are being taken to address the main recommendations from the Audit Scotland report. The Strategic Leadership Team are looking at a number of scenarios for the future funding and costs and plans are in place to produce a longer-term financial strategy by the March 2016 deadline.

Service Transformation

Since the development of the service transformation programme in June 2013 which consisted of 42 projects across nine work streams, additional projects have been added to the programme increasing the total number of projects to 63. All project scope and benefits must be agreed by the Programme Board and Service Transformation Committee. In addition to this projects that require significant financial investment must also have a business case.

The Service has delivered 31 of the projects including a number of organisational systems that have reduced duplication and so helped to deliver the benefits of reform, these include:

- a new HR and Payroll system, with expected recurring cost savings of £400,000
- a community safety management system, with expected recurring cost savings of £32,000
- a single finance system, with expected recurring cost savings of £340,000
- an asset management system that supports the rationalisation of asset resource centres.

The Service acknowledge that maintaining business as usual and delivering Service Transformation continues to be a challenge. In spite of that an external Gateway Audit of the programme in April 2015 assessed that successful delivery of the programme to time, cost and quality appears highly likely and there are no major outstanding issues that appear to threaten delivery at this stage.

As at September 2015, the transformation programme has 32 projects remaining to be delivered of which six are on hold to be delivered when organisational capacity permits. These include:

- National training facilities (awaiting ministerial HQ decision and capacity assessment)
- Develop a knowledge management framework
- Improvement capability
- Provider of national statistics
- Business systems phase 1
- Data consolidation

In addition, there are currently five projects rated as red for either resources, timescale or both. These are within the areas of:

- Operational intelligence
- Voluntary rescue database
- Revised leadership and management development framework
- Review of operational training and safe working practices
- Telephony rationalisation

It is expected that 16 projects will be on-going post March 2016 with the final project expected to close in 2020.

To support the delivery of the projects post March 2016, the Service Transformation Programme Board's preferred option is to develop a SFRS programme office that would absorb part of the current transformation programme office's role and also to support transition projects expected over the next decade. Details of this are currently being drafted and are expected to be reported to the Service Transformation Committee in December 2015.

Strategic intent progress

At the Board meeting on 26 September 2013, the Board considered the Strategic Intent paper and approved a number of recommendations from the paper including a review of the Service's property requirements.

The property rationalisation programme has been split into seven discrete projects:

- Vehicle and Equipment Workshops
- Control Rooms
- National Headquarters
- Office Accommodation
- ICT Data Centres
- National Training Facility
- Disposals of Surplus Estate

All projects have their own business case and project dossier in place and project management and governance arrangements.

A progress report is provided to the Strategic Intent Executive Board on a regular basis. The August 2015 progress report notes the status of the projects including the options appraisal for the Clydesmill training centre accommodation which currently indicates that design estimates for the build are in excess of the current budget. However there has been no formal commitment made to the build at this stage. The Service have recently received confirmation of Government approval for their Headquarters to be located at the Training Centre in Cambuslang.

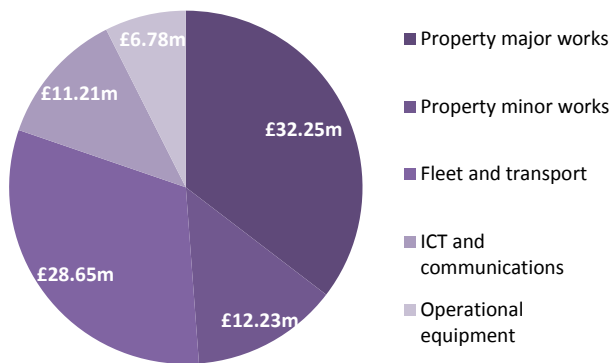
2014-15 Outturn and 2015-16 Budget

The Service lived within its delegated resource budget in 2014/15 of £263.517m and delivered an underspend of £1.347m against the Delegated Expenditure Limit (DEL). Action was taken to address the financial pressures experienced at the start of the year. In overall terms there was an underspend on employee costs that was in part off-set by advanced expenditure on running costs, including personal protective equipment.

The Service has set a resource budget of £259.221m in 2015/16, which reflects a reduction of 2% from the previous year. The latest indications are that overall expenditure will be contained within the budget although there is significant pressure on some elements of the budget, particularly firefighter overtime. Action is being taken to address the situation and to identify ways of deploying firefighters that reduces the need for overtime.

In line with good practice, a multiple (3) year capital budget of £91.120m was put forward to the Board in February 2015. However, the information for years 2 and 3 was indicative and will need to be developed to see the full benefit of a multi year programme.

In addition to capital DEL budget from Scottish Government (assumed at £25.300m per annum), significant capital receipts (£15.220m) are expected as a result of the Strategic Intent programme. The total capital programme is broken down into 5 areas as shown below.



Looking ahead it is anticipated that the Service will continue to face a tightening financial position. Whilst at the time of drafting this report the Scottish Government has not been able to provide details of the funding position for 2016/17, there is a realistic expectation that further reductions in planned expenditure will need to be made. Audit Scotland in its report earlier this year identified that future cost pressures and reductions in funding could result in a funding gap of £42.7m in 2019/20.

Action is being taken to deal with this situation and in particular the leadership team are considering a number of potential scenarios for the future and what this will mean for the Service. In line with Audit Scotland's suggested best practice the Board and SLT have plans to engage in scenario planning workshops from October 2015 onwards. Their aim is to understand the potential effects of both financial and non-financial future uncertainties over a ten year horizon – this will allow the Service to prepare appropriate responses to changes in their environment and improve the robustness and agility of their financial strategy.



Performance monitoring, reporting and improvement

The Service are required to report against the six targets that they must comply with as part of the Fire and Rescue Framework. These are included in the Annual Report and Accounts and summarised below:

Indicator	Target	Result	Rating
Reducing fire fatalities and casualties by 5% a year	1,054	867	●
Reducing special services casualties	2,133	2,168	●
Reducing accidental dwelling fires by 10% each year	4,441	4,960	●
Reducing the number of non-domestic fires	2,426	2,325	●
Reducing firefighter injuries	48	41	●
Improving attendance			
a) Firefighter shifts lost	a) 8.6	a) 9.6	●
b) Other staff days lost	b) 3.4	b) 6.7	●

Key:

- The Service has met its intended target* ●
- The Service has delivered broadly in line with target* ●
- The service has not met its intended target* ●

Staff absence rates

Staff absence has increased from previous years. As well as having good processes in place to monitor and manage staff absence it is important to recognise that change can have a detrimental effect on staff attendance from the beginning of the process. This year has seen the commencement of a staff and grading process for support staff which is currently on-going. The Board have held employee forums during 2014-15 and will continue to engage with employees as the process continues.

As part of the management re-structure, a Director of Strategic Planning, Performance and Communications post was created in January 2015 with a core remit of strengthening strategic planning activities, improving performance monitoring and reporting mechanisms and ensuring communication and engagement systems are appropriate. The Director inherited a well established quarterly reporting framework.

As part of the restructuring of the Committees, a Performance Committee was established. Part of the Performance Committee remit is to drill down into the reasons for performance, with a focus on good performance so that good practice can be shared.

The quarterly reports report against targets within the Fire and Rescue Framework and other selected targets.

A Performance Improvement Forum which is an officer forum, will be responsible for ensuring the Annual Operating Plan is achieved and that recommendations from HMFSI and Audit Scotland are progressed. The forum will report into the Audit and Risk Assurance Committee.

Local reports are being developed that can be used to assess local performance against national performance.

The Service have completed a review against the Strategic Plan 2013-16 and concluded that the Strategic Plan 2013-16 has served its purpose and excellent progress has been made against the aims and objectives. All key action milestones have been carried out either through the Annual Operating Plans or the Transformation Programme.

The 2016-19 Strategic Plan will be drafted once the National Fire and Rescue Framework has been agreed to ensure that the Strategic Plan is in line with the revised Framework. SFRS are engaging with Scottish Government in developing the framework.

The results show mixed performance, with two indicators 10% away from the target.

Accidental dwelling fires

The increase in accidental dwelling fire's from previous year is thought to reflect a particularly low result during 2013-14 and is still in line with a downward trend since 1999-00.

Gateway Review

The fourth Gateway Review by Scottish Government was carried out in April 2015. The focus of the audit was on two key areas; strategic assessment and benefits realisation. The auditors confirmed the Programme delivery confidence levels as Green.

Key findings from the review include:

- there have been significant organisational, resource and infrastructure developments since the last review. The review team heard overwhelming evidence that stakeholders fully understand the need for change, however there remains some internal opposition towards certain aspects of the reform, e.g. the impact of harmonising employee terms and conditions.
- the key focus at this stage is to maintain momentum and protect the outstanding technology and infrastructure projects.

In addition, the review team were provided with evidence that previous review recommendations have been satisfactorily addressed.

Two recommendations were identified from the review, one critical which requires immediate attention (recommendation 1) and one classed as essential, requiring completion by the end of 2015.

Recommendation 1: develop costed contingency plans to treat the risks that could have an adverse impact on critical deliverables.

Recommendation 2: confirmed the need to develop an implementation plan for closing the programme. This should include clearly defined criteria for those projects that require to be retained within an appropriately controlled environment and those that should transfer to a business as usual activity.

Appendices

Contents	Page
Appendix A – Disclosure Changes	28
Appendix B – Action Plan	30
Appendix C – Fees, non audit services and independence	32
Appendix D – Draft Independent Auditors Report	34
Appendix E – Letter of Representation	37



Appendix A



Disclosure Changes

The table below provides details of the most significant misclassification and disclosure changes identified during the audit which have been discussed with management for update in the final set of financial statements.

Note / Location	Type	Detail	Impact upon the financial statements
Overall Accounts	Sundry Changes	We have proof read the draft financial statements and suggested some small changes including items of narrative, punctuation and adding subtotals where appropriate.	Minor presentational amendments.
Property, Plant & Equipment Comparative Disclosures (Note 25)	Comparative Disclosure Adjustment	Prior year comparative information for the treatment of revaluations in 13/14 should be updated. The figures in relation to cost and depreciation on buildings should be increased by £4.191m.	There is no overall impact upon the Net Book Value of assets and applying the change will allow consistency between the current year brought forward figures within note 25(a).
Financial Instruments (Note 24)	Disclosure Adjustment	We have suggested management include sub-totals within the disclosure to allow easier cross-referencing to the balance sheet amounts. This includes separation of current and non-current amounts payable.	The adjustment will improve the transparency of the disclosure note and allow for readers of the accounts to more easily understand the figures included.
Financial Instruments (Note 24)	Disclosure Adjustment	The final table in the note incorrectly includes the carrying amount and fair value of trade payables for 14/15 and 13/14. We have proposed that these are removed and figures are revised.	The adjustment will bring disclosures into line with the requirements of the FReM and accounting standards.

Appendix B



Action Plan

The table below provides details of issues changes identified during the audit which have been made in the final set of financial statements.

	Issue and Risk	Priority	Recommendation
1.	<p>Journal Entry Process</p> <p>Our review of journal entries noted a number of journals which do not include a description of the journal's effect. This reduces management's ability to identify erroneous or unusual journal entries.</p>	Medium	<p>We would encourage management to require all journal entries to include a brief description of the journal's particulars when prepared by authorised journal posters. This will allow more effective review.</p> <p>Management Response Agreed. A reminder to be issued to all staff creating journals to ensure a summary description is included. Due date: 31/10/2015</p>
2.	<p>Reconciliation & Review Controls</p> <p>Our review of the firefighters pension arrangements found the Service could implement some additional review and reconciliation controls surrounding pension payments.</p> <p>There is a risk that amounts could be erroneously recorded in the Service's accounting records or out-of-date/incorrect membership data could be held, resulting in incorrect payments.</p>	Medium	<p>The Service should produce regular reconciliations between the number of pension payments raised and their membership data held by HR. This will allow for erroneous payments to be noted and will improve the robustness of data held between HR and Payroll.</p> <p>The Service should conduct a monthly variance review of pension expenditure in order to identify unexpected trends and ensure amounts are in line with management's expectation. This would identify errors such as misspostings.</p> <p>Management Response Agreed. We will start to include this as part of our monthly resource budget reviews. Due date : 31/12/15</p>
3	<p>Follow-up of National Fraud Initiative matches</p> <p>The Service identified 1,305 matches as part of the NFI exercise. As at 7 October 2015 a total of 172 matches had been reviewed.</p> <p>There is a risk that any potential fraud may not be discovered due to timely investigation.</p>	Medium	<p>The Service should continue to review recommended matches.</p> <p>Management Response Agreed. Due to earlier resource constraints this has not been progressed as quickly as expected. Resources are now in place to progress the outstanding items to meet the planned deadline of December 2015. Due Date: 31/12/15</p>

Appendix C



Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	115,000	TBC
Total audit fees		

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



Appendix D



Draft Independent Auditors Report

Independent auditor's report to the members of the Scottish Fire and Rescue Service, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Fire and Rescue Service (the Service) for the year ended 31 March 2015 under the Police and Fire Reform (Scotland) Act 2012. The financial statements comprise Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Independent Auditors Report

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost 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 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Police and Fire Reform (Scotland) Act 2012 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Robin Baker, (for and on behalf of Grant Thornton UK LLP)
95 Bothwell Street
Glasgow
G2 7JZ
October 2015

Appendix E



Letter of Representation

Grant Thornton UK LLP
95 Bothwell Street
Glasgow
G2 7JZ

Date- Same date as accounts

Dear Sirs,

The Scottish Fire and Rescue Service Financial Statements for the Year Ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of the Scottish Fire and Rescue Service (the Service) for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000, the Police and Fire Reform (Scotland) Act 2012, the Government Financial Reporting Manual (the FReM) and the Scottish Public Finance Manual (SPFM).

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Police and Fire Reform (Scotland) Act 2012 for the preparation of the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000, the FReM and International Financial Reporting Standards. In particular the financial statements give a true and fair view of the Service's state of affairs in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Service and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- iv. We are satisfied that the material judgments used in the preparation of financial statements are soundly based, in accordance with International Financial Reporting Standards and the FReM, and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- i. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Service have been assigned, pledged or mortgaged
 - c. there are no material prior year changes or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vi. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the FReM and International Financial Reporting Standards.
- vii. All events subsequent to the date of the financial statements and for which the FReM and International Financial Reporting Standards requires adjustment or disclosure have been adjusted or disclosed.
- viii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the FReM.
- ix. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- x. We have provided you with:
 - a. access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- xi. We have confirmed there were no deficiencies in internal control of which management is aware.
- xii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xiii. We have considered the risk that the financial statements may be materially misstated as a result of fraud and I am not aware of any such fraud or misstatement.
- xiv. We are not aware of any fraud or suspected fraud affecting the entity involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xv. We have confirmed we have no knowledge of any allegations of fraud, or suspected fraud, affecting the Service's financial statements communicated by employees, former employees, regulators or others.
- xvi. We have confirmed to you there are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xvii. We have disclosed to you the identity of all of the Service's related parties and all the related party relationships and transactions of which we are aware.

- xv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Report

- xix. The disclosures within the Annual Report fairly reflect our understanding of the Service's financial and operating performance over the period covered by the financial statements.

Annual Governance Statement

- xx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Service's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Service's Board at its meeting on [DATE] October 2015.

Yours faithfully

<Name and title>

Date:

Signed on behalf of the Board



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