



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **EXTERNAL AUDITORS' GOVERNANCE REPORT 2009/10**

Joint Report of the Chief Fire Officer and the Treasurer

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**Agenda Item No:**

**Date:** 17 September 2010

**Purpose of Report:**

To present the External Auditors' Governance Report to Members, and to seek Members' approval of the management representation letter to the External Auditors.

## **CONTACT OFFICER**

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Head of Finance and Resources

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## **1. BACKGROUND**

- 1.1 The External Auditors are required by Auditing Standards to issue an Annual Governance Report each year to those charged with governance, summarising the conclusions of their audit work.
- 1.2 The principal purposes of the report are:
- To summarise findings from the 2009/10 audit work and identify key governance issues;
  - To inform the Authority of the auditors' opinion on the financial statements and on arrangements for securing economy, efficiency and effectiveness in the use of resources;
  - To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.
- 1.3 This report to Members sets out the key points in the Governance Report. The full Annual Governance Report is attached as Appendix A. The District Auditor from the Audit Commission will be present at the meeting.

## **2. REPORT**

- 2.1 The annual audit is substantially complete and this Annual Governance Report sets out the key issues which should be considered by Members before the audit opinion, conclusion and certificate can be issued.
- 2.2 This report is again a very positive one for the Authority and shows that the accounts presented for audit were of a high standard and supported by good quality working papers. There were no significant errors and the Auditors propose to issue an unqualified opinion on the accounts.
- 2.3 The Annual Governance Report sets out on pages 6 and 7 the matters which Members are asked to consider before the audit opinion is issued. This confirms that there were no errors to be reported and no internal control weaknesses found. The key areas of risk considered by the Auditors during their audit were the introduction of the new regional accounting system and the new accounting arrangements for council tax debtors along with the continued progress towards the implementation of International Financial Reporting Standards (IFRS). The Auditors will continue to monitor the Authority's progress in these areas and have not identified any areas of concern at this stage.
- 2.4 The Auditors also propose to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

- 2.5 The letter of representation is set out on pages 14 to 16 of the Governance Report. This letter confirms the Authority's responsibilities with regard to the 2009/10 financial statements and must be considered by Members before it can be signed, thereby allowing the audit certificate to be issued. There are no specific representations in the letter of representation.
- 2.6 Appendix 2 of the Auditors report shows any amendments that have been made to the draft accounts since they were submitted to the Fire Authority for acceptance in June 2010. There were no errors which materially affect the financial statements and therefore new sets are not to be issued formally to Members. The amended and audited accounts will appear on the service website and intranet.
- 2.7 Unlike previous years the Auditors have not issued their Use of Resources scores as the assessment regime has now been discontinued.

### **3. FINANCIAL IMPLICATIONS**

The financial implications of this report are set out in full within the report as it is essentially an assessment of the Authority's financial performance.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources and learning and development implications arising directly from this report save for those which relate to the requirement for finance staff to be following their professional CPD and activities relating to the changes in regulation etc.

### **5. EQUALITY IMPACT ASSESSMENT**

No initial equality impact assessment has been prepared for this report.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising directly from this report.

### **7. LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report.

### **8. RISK MANAGEMENT IMPLICATIONS**

The work of the External Auditors in their audit of the accounts provides an independent view of the adequacy of internal controls, the accuracy of the final

accounts and an assessment of the Authority's achievement of value for money. This in turn provides strong and independent risk control as well as an assurance to Members.

## **9. RECOMMENDATIONS**

It is recommended that Members:

- 9.1 Note the contents of the External Auditors' Annual Governance Report.
- 9.2 Approve the management representation letter to the External Auditors. This is a necessary pre-cursor to the issuing of the audit opinion.

## **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Peter Hurford  
**TREASURER TO THE FIRE AUTHORITY**

Frank Swann  
**CHIEF FIRE OFFICER**

# Annual Governance Report

Nottinghamshire & City of Nottingham Fire & Rescue  
Authority

Audit 2009/10

Date

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# Contents

<b>Key messages</b>	<b>4</b>
<b>Next steps</b>	<b>6</b>
<b>Financial statements</b>	<b>7</b>
<b>Value for money</b>	<b>9</b>
<b>Glossary</b>	<b>10</b>
<b>Appendix 1 – Independent auditor’s report to Members of Nottinghamshire &amp; City of Nottingham Fire &amp; Rescue Authority Fire Authority</b>	<b>12</b>
<b>Appendix 2 – Amendments to the draft accounts</b>	<b>16</b>
<b>Appendix 3 – Draft letter of representation</b>	<b>17</b>
<b>Appendix 4 – Value for money criteria</b>	<b>21</b>
<b>Appendix 5 – Action plan</b>	<b>24</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

## **2009/10 Annual Governance Report**

I am pleased to present the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Assistant Chief Officer (ACO) and Strategic Director (Finance, Resources and ICT) on 24th August 2010 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 8);
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

John Cornett  
District Auditor

Date 5 September 2010

# Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	7
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	9

## Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Financial statements

- 2 The accounts presented for audit were of a good standard and were supported by good quality working papers.

## Value for money

- 3 I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 4 I plan to issue an unqualified opinion on the Authority's arrangements.

## Audit fees

- 5 We have completed the audit within the agreed fee for the year.



## Key messages

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### Independence

- 6 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**7** I ask the Fire Authority to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 8);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

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# Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

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## Opinion on the financial statements

- 8 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

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## Errors in the financial statements

- 9 I found a small number of presentational errors in the draft financial statements. These were all minor presentational, disclosure issues and had no impact on the Trust's overall financial position. All of the errors have now been amended. I bring them to your attention to aid you in fulfilling your governance responsibilities.
- 10 Details of the corrected errors are attached at Appendix 2 for information and there are no unadjusted misstatements that I need to draw to your attention.

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## Important weaknesses in internal control

- 11 I have not identified any important weaknesses in internal control.

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## Key areas of judgement and audit risk

- 12 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

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**Table 1**      **Key areas of judgement and audit risk**

Issue or risk	Finding
New accounting arrangements for council tax debtors require sound arrangements to obtain information from tax collecting councils in Nottinghamshire & City of Nottingham Fire & Rescue Authority.	Your arrangements for obtaining this information were good. We did not find any errors.
The implementation of the new general	Your finance team have project managed

Issue or risk	Finding
<p>ledger system in summer 2010, together with the need to implement the requirements of IFRS within the required timescale could pose a risk to staff capacity and have an adverse impact on the timetable for closing the 2009/10 financial statements.</p>	<p>these three requirements and met the deadline for preparing the 2009/10 financial statements.</p>

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### Accounting practice and financial reporting

**13** I consider the qualitative aspects of your financial reporting. The financial statements presented for audit were of a good standard and were supported by good quality working papers. The explanatory foreword was also of a good standard and provided useful context and background to the statements.

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### Letter of representation

**14** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

# Value for money

I am required to decide whether the Authority put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

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## Value for money conclusion

- 15** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.
- 16** I have shown my conclusions on each of the value for money criteria in Appendix 5. Overall, I have concluded that the Authority's arrangements for each of the criteria continued to improve during 2009/10.
- 17** The Audit Commission's approach to the value for money assessment will be significantly reduced from 2010/11, and will focus on two criteria:
- The organisation has proper arrangements in place for securing financial resilience
  - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
- 18** The outgoing value for money criteria identify areas of good practice which will continue to be relevant to you however, and it is important that you take steps to maintain the level of performance and improvement achieved in 2009/10.

Recommendation
<b>R1</b> Maintain the level of performance and improvement achieved in 2009/10.

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# Glossary

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## Annual governance statement

- 19** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 20** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 21** The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

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## Audit closure certificate

- 22** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

- 23** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
  - whether they have been prepared properly, following the relevant accounting rules; and
  - for local probation boards and trusts, on the regularity of their spending and income.

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## Qualified

- 24** The auditor has some reservations or concerns.

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## Unqualified

- 25** The auditor does not have any reservations.

### Value for money conclusion

- 26** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Appendix 1 – Independent auditor’s report to Members of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority

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## Opinion on the accounting statements

I have audited the accounting statements, the firefighters’ pension fund accounting statements and related notes of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The Firefighters’ pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and firefighters’ pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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## Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the accounting statements, including the firefighters’ pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters’ pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local



## Appendix 1 – Independent auditor’s report to Members of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority

Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword and the financial summary within the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

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### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

## **Opinion**

In my opinion:

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
  - The firefighters’ pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters’ pension fund during the year ended 31 March 2010 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.
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## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority’s Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority made proper arrangements to

## Appendix 1 – Independent auditor’s report to Members of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority

secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cornett

Officer of the Audit Commission

Rivermead House  
7 Lewis Court  
Grove Park  
Enderby,  
Leicestershire, LE19 1SU

30 September 2010

# Appendix 2 – Amendments to the draft accounts

I found a number of presentational errors in the draft financial statements. These were all minor presentational, disclosure issues and had no impact on the Trust's overall financial position. All of the errors have now been amended. I bring them to your attention to aid you in fulfilling your governance responsibilities.

**Table 2 Description of errors in draft statements**

Item of account	Description of error or uncertainty
Page 18 - accounting policy on depreciation	Minor wording change to clarify further the approach to depreciating furniture and fittings
Annual Governance Report	Minor changes to wording to reflect changes to the CAA performance regime.
Income and Expenditure account, balance sheet	Addition of references to supporting notes
Statement of movement of the general fund balance	The amortisation of intangible assets has been included in the depreciation figure in error and has now been separated. Error identified by NFA finance staff.
Note 22 - analysis of borrowing payable	Error identified by NFA finance staff before the start of the audit. The figures in the 22 (analysis of borrowing repayable over a period in excess of 12 months) included amount repayable within 12 months (£54k). The balance sheet figures were correct. Note 22 has now been amended.
Note 26 - retirement benefits	Addition of a note to explain that the total value of the local government scheme assets at 31 March 2010 of £2,631,954 is 0.43% higher than the estimated values used by the actuary in their calculation. The estimated values of the Admitted Bodies share of the assets, and the balance sheet liability/pension reserve, are likely to therefore be understated by the same percentage. This equates to £59,000 and is not material.
Note 31 - events after the balance sheet date	Addition of a note to explain the impact of the change from RPI to CPI as the basis of future public sector pension increases. This is a non adjusting post balance sheet event - it is indicative of conditions that have arisen after the balance sheet date and applies to all local government accounts

# Appendix 3 – Draft letter of representation

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To:  
John Cornett  
Appointed Auditor  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby,  
Leicestershire, LE19 1SU

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## **Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority - audit for the year ended 31 March 2010**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Nottinghamshire & City of Nottingham Fire & Rescue Authority Fire Authority the following representations given to you in connection with your audit of the Fire Authority's financial statements for the year ended 31 March 2010. All representations cover the Authority's accounts, and Pension Fund accounts included within the financial statements.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Fire Authority and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fire Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Fire Authority meetings, have been made available to you.

### Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Fire Authority.

The Fire Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;

## Appendix 3 – Draft letter of representation

- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events [require/do not require] adjustment to the fair value measurement.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by the Fire Authority, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Fire Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

**Specific representations service concessions IFRIC 12**

I have reviewed all contracts to identify any that involve both service provision and the use of assets. These have then been examined to determine whether any may fall within the scope of IFRIC 12 as service concessions. There are no contracts that fall within this scope other than those which have been properly recorded and disclosed within the financial statements.

Signed on behalf of Nottinghamshire & City of Nottingham Fire & Rescue Authority

I confirm that the this letter has been discussed and agreed by the Fire Authority on 23 September 2010

Signed

Name

Position

Date



# Appendix 4 – Value for money criteria

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## **Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?**

- 27** Yes. The Authority has a stable financial environment and a strong finance function. It manages spending within its existing resources. Members and managers exercise collective responsibility for financial management.
- 28** The 2010/11 budget is informed by a risk assessment, building on risks within the Authority's strategic plans and also building on risk information relating to the delivery of the service. The capital programme is clearly linked to priorities, including sustainability.

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## **Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?**

- 29** Yes. The Authority uses benchmarking information to challenge its costs and performance. Benchmarking information is considered alongside risk profiles.
- 30** The Authority's arrangements are making a difference. Resources have been moved from low to high priority areas leading to improvement in performance, including a decrease in deliberate primary and secondary fires.

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## **Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?**

- 31** Yes. Budget reports are clear and concise. Action is taken to address over and underspends during the year.
- 32** The level of balances and reserves is reviewed as part of the decision making process. The budget setting process is supported by an Equalities Impact Assessment and by risk assessment information in relation to service delivery and performance.
- 33** The year end accounts are closed promptly with only minor errors found by the audit process.

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## **Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?**

- 34** Yes. The Authority has a vision of what it wants to achieve for its community and works with partner organisations and charities to deliver particular activities (eg home fire

safety checks). The Authority is developing a procurement policy encompassing diversity / equalities issues which will bear fruit in the future,

- 35** The Authority has an ongoing programme of best value service reviews and has baseline information available to measure improvements in cost performance. The implementation of new shift arrangements in 2008/09 has shown that the Authority implements new ways of working to make the most of the staff resources available.

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### Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

- 36** Yes. The Authority has a risk based programme to oversee data quality. The programme covers the integrity of data used internally and that supplied to partnerships throughout the year and not just at year-end. There are data sharing arrangements in place for the Authority's partnerships and the Authority works with partners to secure data security. A data quality action plan has been in place during 2009/10.
- 37** Data security is achieved through a combination of physical site security and network access.

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### Does the organisation promote and demonstrate the principles and values of good governance?

- 38** Yes. The Authority adopted a local code of corporate governance in 2008. Roles and responsibilities of officers and members are defined, working relations between officers and members are good. Induction training is provided to new members and new officers.
- 39** Reports to members are clear and allow the Authority to maintain a focus on its purpose and vision. Performance is reviewed on a regular basis, in particular in relation to community safety. This has led to continuous improvement in community safety targets set by the Authority.

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### Does the organisation manage its risks and maintain a sound system of internal control?

- 40** Yes. The Authority has a sound framework for risk assessment. In financial planning, risk is always considered in terms of the sensitivity around estimates and the robustness of assumptions. Significant new projects are piloted and tested before being implemented across the organisation.
- 41** The authority operates a strict anti-fraud policy together with codes of conduct for members and staff. There is a sound system of internal control in place.

### Is the organisation making effective use of natural resources?

- 42** Yes. The Authority has made good progress in managing its natural resources over a short space of time. It can show that it is improving the overall profile of sustainability. Good baseline information is in place and funds have been allocated to resolving pollution compliance issues and to supporting a range of invest to save initiatives targeting energy efficiency.
- 43** In some areas, the Authority's approaches are innovative within the Fire sector. These include variable flow foam release system and flow-metered water systems on appliances, both of which are new to the service nationally. The work on capturing CO2 impact its fleet, including emergency, operations and commuting is strong.
- 44** The Authority recognises there is further work to do to complete its overarching environmental strategy and is setting clear project plans to achieve further improvements and develop a carbon management plan.
-

## Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<b>Annual Governance Report 2009/10 - Recommendations</b>					
	Maintain the level of performance and improvement achieved in 2009/10.					

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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