



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

EXTERNAL AUDITORS' GOVERNANCE REPORT 2010/2011

Joint Report of the Chief Fire Officer and the Treasurer

Agenda Item No:

Date: 16 September 2011

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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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 2010/11 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 Members will be aware that the financial year 2010/11 saw a significant change in accounting practice across all local government bodies, with the implementation of International Financial Reporting Standards (IFRS). The Auditor's Annual Governance Report for 2009/10 identified that this change, together with the introduction of a new finance system in the same year, could pose a risk to staff capacity and have an adverse impact on the timetable for closing the accounts.
- 2.3 Finance and Resources Committee Members were aware of this issue and had asked for assurances that the Authority was on target to be able to deliver against this testing timetable for change. Originally it had been envisaged that external consultants might be required to assist with the implementation but in the event only a small amount of external advice was sought with the majority of work being carried out by the in house team.
- 2.4 There is no doubt however that these two major events did have an adverse impact on the capacity of the Finance Team to deliver completed and accurate financial statements to the Audit Team on the timescales agreed previously. Work continued on the statements during the audit and both Finance staff and Auditors identified a number of errors in the statements which were originally presented.

- 2.5 Nevertheless, the Auditors, whilst reporting some errors in the presentation of the accounts, remain complimentary regarding the professionalism and commitment of the finance team and are proposing to issue an unqualified audit opinion as in previous years.
- 2.6 The Annual Governance Report details three material errors on pages 16 and 17 of their report. Two of these errors are presentational and one is within a note to the accounts. The first of these errors relates to the revaluation of pension liabilities caused by the move from RPI inflation adjustments to CPI adjustments. This made a difference in the liability of £27.2m which had properly been taken account of but which the auditors felt should be identified separately in the accounts due to its size. The second item was again a presentational complication caused by the transfer of new dimensions assets from CLG to the Fire Authority. These assets had simply been included on the wrong line in the accounts.
- 2.7 The remaining error was simply a typing error in the notes to the accounts where the related party transaction with the County Council had been declared as £1k when in fact it should have been £1.250m.
- 2.8 None of these errors have had any effect on the General Fund Balance or the surplus for the year.
- 2.9 During the course of the audit other less significant errors and issues were identified which are not included within the auditors report due to their size and significance. Nevertheless these are brought to the attention of Members for completeness and to give an assurance that all known errors have been corrected. These are set out below:
- 2.9.1 The Annual Governance Statement, which forms part of the Statement of Accounts and was approved by members of the Fire Authority on 24 June 2011, referred to the 2009/10 Internal Audit outcomes instead of 2010/11. Additionally, it did not explicitly state that the Authority's systems of internal control were in place for the whole of 2010/11. The Final Accounts report elsewhere on this agenda asks Members to re-approve the amended Annual Governance Statement for 2010/11.
- 2.9.2 There were some presentational issues:
- i) The 2009/10 comparative figures in the Cash Flow Statement were restated under IFRS, but the column heading was not labelled "Restated". This has been corrected;
 - ii) There were very minor rounding differences noted which meant that some tables did not cast and cross cast correctly (these have been corrected where possible, although some differences still remain);
 - iii) The movements in usable reserves were not shown in a separate note to the accounts, but were only shown in the Movement in Reserves Statement. Although a separate note was not required by the Code of Practice, the Auditor felt that a

separate note was warranted due to the materiality of the usable reserves balances. This note has now been added.

2.9.3 There were some capital accounting errors which affected the Balance Sheet (B/S), Comprehensive Income and Expenditure Statement (CI&ES) and several of the notes, with the effect that some notes did not reconcile to other notes. The errors were:

- i) An addition to Non Current Assets was mistakenly made in 2010/11 when it had already been accounted for as an addition in 2009/10. This error was identified by Finance staff during the course of the audit and corrected. The value was £20k, and the correction resulted in a Dr to the CI&ES and a Cr to the B/S. This was the only error which impacted on the General Fund surplus for the year, reducing it by £20k.
- ii) Finance staff also discovered and corrected an entry relating to Non Current Assets to the value of £7k, which resulted in a Cr to Non Current Assets (B/S) and a Dr to Capital Adjustment Account (B/S).
- iii) An asset which had been disposed of during 2010/11 was not written out of Non Current Assets on the Balance Sheet. The value of this error was £11k and the correction resulted in a £11k Cr to the CI&ES (although no impact on the General Fund balance), an £11k Cr to Non Current Assets (B/S) and an £11k Dr to Capital Adjustment Account (B/S).
- iv) The Surplus on Revaluation of Property, Plant and Equipment line in the CI&ES was understated by £491k in 2010/11 and £1,369k in 2009/10. This has been corrected, resulting in a Dr to the CI&ES (although no impact on the General Fund balance as it was a presentational error).
- v) There was a presentational error within Net Cost of Services relating to revaluation losses on Property, Plant and Equipment, which was discovered by Finance staff. The value was £1,354k and the correction resulted in a Cr to the CI&ES (although again no impact on the General Fund balance).
- vi) Other corrections were made to amounts disclosed in the notes to the accounts concerning capital transactions, although these were not material in value.

2.9.4 Finance staff also identified that the Treasurer's Foreword did not refer to the £630k transfer to General reserves which was approved by Members during the year. This omission has now been rectified.

2.10 The Auditors have made one recommendation in their report and that is to ensure that a robust quality review of financial statements is carried out prior to the submitting accounts for audit. This recommendation is accepted in full and work has already begun on debriefing staff and ensuring that the finance team work out ways of improving the process for 2011/2012. It must be emphasised however that 2010/2011 was a particularly difficult year with the implementation of Agresso and three years of accounts requiring restatement as part of the move to IFRS.

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 as set out in Appendix B. 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 and Rescue Authority

Audit 2010/11



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Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from the 2010/11 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.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I plan to issue an unqualified and audit opinion on the Authority's 2010/11 accounts, subject to the satisfactory completion of outstanding audit work. The key findings from my audit are set out below:

- The financial statements presented for audit were not complete. Although the primary statements were complete some supporting notes had not been finished. The Authority provided completed supporting notes during the course of the audit. In common with many authorities the timeliness with which the accounts were completed was affected by the changes in reporting requirements and this was compounded at Nottinghamshire and City of Nottingham Fire and Rescue Authority by the introduction of new financial systems during the year.

- Three material errors were identified in the accounts presented for audit all of which have now been corrected
- Audit work is still ongoing in respect of year end cut off and testing of journals. I will provide a verbal update on this report when I present this report to Members on the 16th September 2011

Value for money

I am intending to issue an unqualified value for money (VFM) conclusion for 2010/11. The key findings from my audit are:

- Financial resilience is regarded as a high priority by the Authority and I have concluded that the organisation has robust systems and processes in place to manage financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. Nevertheless, the requirement to deliver approximately £8m savings over the next four years represents a significant financial challenge to the Authority.
- The Authority has proper arrangements in place to challenge how it secures economy, efficiency and effectiveness delivering services and using available resources.

Before I complete my audit

I confirm to you

My report 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.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2010/11.

I ask you to confirm to me

I ask the Authority to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - approve the letter of representation, provided alongside this report, on behalf of the Authority before I issue my opinion and conclusion (Appendix 6); and
 - agree your response to the proposed action plan (Appendix 5).
-

Financial statements

Opinion on the financial statements

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 report.

Errors in the financial statements

My audit identified three material misstatements in the accounts and these are set out below

- The Comprehensive Income & Expenditure Statement (CIES) contains income relating to capital grants (£946k) and the donation of New Dimensions assets (£866k). These were included within the Cost of services. This has been moved to the Taxation and non-specific grant income line, in accordance with reporting requirements. This has no impact on the Surplus on provision of services
- The CIES contains a one-off actuarial gain of £27.2 million from rebasing of pension valuations from the Retail Price Index to the Consumer Price Index. This was included within Non-Distributed costs, this has now been presented as a separate item within Cost of services in order to highlight its exceptional nature. The correction of this error had no effect on out-turn.
- Note 30 - Related Party Transactions - expenditure with Nottinghamshire County Council had been disclosed as £1k but should be £1,250k. This error has been corrected in the revised Statement of Accounts. This is a disclosure note and does not affect the CIES.

These errors have been highlighted within Appendix 2 along with other substantive issues that are below materiality level but I bring these to your attention to help fulfil your governance obligations.

All material errors identified during the course of my audit have been adjusted for in the revised Statement of Accounts.

Non-material errors identified during the course of the audit have been adjusted for as confirmed by the Director of Finance's covering report.

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.

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

Key audit risk and our findings

Key audit risk	Finding
<p>1. Changes in financial reporting standards</p> <p>There are significant changes to financial reporting requirements in 2010/11 due to the implementation of IFRS and the requirement to restate prior year balances</p> <p>The implementation of IFRS is a significant and technically complex piece of work. For all organisations, this brings a higher risk of error in the financial statements. Focussed quality assurance arrangements will be necessary.</p>	<p>For the 2009/10 restated values I reviewed the reconciliation between closing balances under UK GAAP and the opening balance under the IFRS based Code. My review also included the adjusted comprehensive income and expenditure statement for 2009/10, movements in reserves and the cash flow statement.</p> <p>I did not identify any errors of material value in the 2009/10 comparatives as a result of the IFRS restatement exercise.</p>
<p>2. Implementation of new financial systems</p> <p>Your finance team implement new financial systems in February 2011. The work required for this project could potentially have an impact on staff capacity and on the timetable for closing the 2010/11 accounts.</p>	<p>The implementation of new financial systems in February 2011 meant that finance staff faced a number of difficulties when compiling the financial statements, particularly where the new systems did not report in the same manner as the old systems.</p> <p>Whilst this did impact on the timing of the production of the statements and the working papers provided for audit the professionalism and commitment of the finance staff meant that this had little impact on the audit or the quality of the statements other than the timeliness of presenting a complete set of accounts.</p>

Financial statements

Significant weaknesses in internal control

My audit found no significant weaknesses in the operation of internal controls. It is important to note that I am not expressing an opinion on the overall effectiveness of internal control.

Financial statements

Quality of your financial statements

The quality of the financial statements presented for audit was not as good as previous years as there were a number of incomplete disclosure notes within the Statement of Accounts as submitted for audit. There were also a number of arithmetic errors and instances of inconsistencies between notes within the accounts. This reduction in quality resulted from the change in financial reporting requirements and the change in financial systems during 2010/11. Finance staff provided a complete set of statements during the course of the audit.

I acknowledge finance staff have worked hard in order to improve the quality of the revised financial statements as submitted for approval by Members, and I make the following recommendation

R1 Ensure a robust quality review is carried out prior to submission of the accounts for audit. This has been included within the action plan within appendix 5.

Accounting practices, policies, estimates and financial closures

During the course of my audit I considered aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

There are no matters I wish to bring to your attention.

Financial statements

Significant difficulties encountered during the audit

I did not encounter any significant difficulties during the course of my audit. The working papers provided and co-operation of finance staff counteracted the effects of the implementation of the new financial systems in year.

Significant matters that were discussed or subject to correspondence with management

There were no significant matters arising during my audit that required discussion with management.

Other significant matters relevant to the reporting process

No other relevant issues have been noted at this time.

Letter of representation

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 6 contains the draft letter of representation.

Value for money

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

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Authority had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Authority has successfully delivered its 2010/11 budget, continuing the record of good performance in this respect. Budget monitoring arrangements are good, both at the operational level and also to Members of the Authority. Key financial reports are presented to Members on a regular basis, including budget setting and monitoring reports together with the year-end outturn reports. The Authority has actively sort permanent and recurring solutions to the financial pressures it faces and has avoided short-term one-off solutions as evidenced through the delivery of the Medium Term Financial Strategy (MTFS) is updated and revised on a rolling annual basis. Nevertheless, the requirement to deliver approximately £8m of savings over the next four years represents a significant financial challenge to the Authority and the delivery of the MTFS will taken on greater significance in the coming years. The opportunity exists to secure further improvements in the MTFS by including assumptions around the level of Government Grant and pay awards beyond year 1 in the document (ie to make estimates for years 2 and 3).</p>

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Findings

Overall the reduction in funding remains a risk to the Authority, but this risk is fully recognised and work is being actively undertaken across the organisation to address the issue through the prioritisation of resources. The 2010/11 budget is driven by a risk assessment, building on risks within strategic plans and from tools such as FSEC and MOSAIC. The Authority has used this risk based analysis to improve efficiency and productivity, for example by disengaging from non-priority activities and by shifting resources from response to prevention. Within prevention the Authority can show that it has used this analysis to ensure staff resources are directed at the highest risk areas within the county. Our high level analysis of costs has not identified any areas where the Authority costs are significantly higher than the national average.

Appendix 1 Draft audit report

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the fire pension fund accounting statements of Nottinghamshire and City of Nottingham Fire and Rescue Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The fire pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire and City of Nottingham Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the fire pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting 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 Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Nottinghamshire and City of Nottingham Fire and Rescue Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the fire pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Nottinghamshire and City of Nottingham Fire and Rescue Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the fire pension fund accounting statements, Nottinghamshire and City of Nottingham Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John R Cornett

Officer of the Audit Commission
District Auditor
Audit Commission
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7 Lewis Court, Grove Park
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[Date]

Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Adjusted misstatement	Nature of adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Change in pensions valuation – exceptional item	Exceptional item within the CIES has been separately disclosed on the face of the CIES in order to highlight its exceptional nature.	27,241	27,241	-	-
Recognition of income relating to capital grants and donated assets has been included within Cost Services in the CIES	Income recognised in relation to these has been Income – Cost of services Taxation and non-specific grant income	866+946	866+946	-	-
Expenditure with Nottinghamshire County Council within Note 30 – Related parties was disclosed as £1k this was actually £1,250k	This has been amended. This is a disclosure note and so therefore does not affect the core financial statements.				

		Comprehensive income and expenditure statement		Balance sheet	
There were a number of typing errors or omission of required disclosures.	These have been corrected within the amended Statement of Accounts. This included amendments to the Annual Governance Statement.	N/A	N/A	N/A	N/A
Carrying values of revalued assets within note 12 had not been split between "Other land and buildings" and "Surplus Assets" to reflect classification of the assets. Whilst this was not material for 2010/11 adjustments for previous years were material.	Note 12 has been amended to show the correct classification of amended assets. This has had no effect on the core financial statements or the total valuation of assets held.	N/A	N/A	N/A	N/A
The draft Statement of Accounts did not include a note showing the effects of transition to IFRS on prior year comparatives.	An additional note has been included within the Statement of Accounts to show the effect on prior year comparatives as result of transition to IFRS	N/A	N/A	N/A	N/A
There were also no comparatives given in disclosure notes for balances as at 1st April 2009 (the effective date of transition to IFRS). These comparatives are required by financial reporting requirements.	Comparatives for 1st April 2009 have been added to disclosure notes where required.				

Appendix 3 Unadjusted misstatements to the financial statements

There are no unadjusted misstatements within the 2010/11 Statement of Accounts.

Appendix 4 Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

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 financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

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 based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	Ensure that a robust quality review of financial statements is carried out prior to submitting accounts for audit	2				

Appendix 6 Suggested Letter of Representation

To:
Mr J Cornett
District Auditor
Audit Commission
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Nottinghamshire & City of Nottingham Fire and Rescue Authority - Audit for the year ended 31/3/11

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Nottinghamshire & City of Nottingham Fire and Rescue Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled 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 which give a true and fair view of the financial position and financial performance of the Fire Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

I confirm that there are no uncorrected misstatements contained within the 2010/11 accounts.

Supporting records

All relevant information and access to persons within the entity has 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 financial statements.

Irregularities

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

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;
- 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; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other 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.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Nottinghamshire and City of Nottingham Fire and Rescue Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

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

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

Signed

Name

Position

Date

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



To:
Mr J Cornett
District Auditor
Audit Commission
Rivermead House
7 Lewis Court, Grove Park
Enderby
Leics.
LE19 1SU

Dear John

Nottinghamshire & City of Nottingham Fire and Rescue Authority - Audit for the year ended 31/3/11

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Nottinghamshire & City of Nottingham Fire and Rescue Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

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Irregularities

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I also confirm that I have disclosed:

- i) 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;
- ii) 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; and
- iii) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements. Transactions and events have been carried out in accordance with law, regulation or other 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. All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Nottinghamshire Fire Authority related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

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

Peter Hurford
Treasurer