



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL AUDIT AND INSPECTION LETTER

Report of the Chief Fire Officer

Agenda Item No:

Date: 16 December 2011

Purpose of Report:

To present to Members the External Auditors' annual audit letter for the 2010/2011 audit.

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1. BACKGROUND

- 1.1 The Annual Audit and Inspection Letter for 2010/11 (attached here at Appendix A) encompasses a number of issues upon which the Auditors are required to report. They are:
- i) The Audit Opinion
 - ii) Value for Money
 - iii) The Financial Statements
- 1.2 The Auditors' letter sets out their detailed findings and conclusions relating to the above issues and these will be discussed at the meeting. The letter is appended in full to this report.

2. REPORT

- 2.1 The Auditors have issued an unqualified opinion in relation to the accounts for 2010/11. This opinion was issued in September 2011 and has been published as part of the final accounts. In terms of value for money the Auditors are required to make a judgement as to the adequacy of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Again an unqualified opinion has been issued.
- 2.2 The Auditors are also required to comment upon current and future challenges and they therefore highlight for Members the challenges arising from both the economic downturn and its effects on the authority as well as the partnership working required to implement a new control system.
- 2.3 The Auditors acknowledge that the proposals within the Fire Cover Review (FCR) create a strong linkage between risk, service demand and the allocation of financial resources which will be required to provide the foundations for the achievement of the necessary efficiency savings going forward.
- 2.4 In terms of the financial statements the auditors have issued an unqualified audit opinion however they point out that the pressure that staff were under due to the implementation of the new finance system and the increasing demands of International Financial Reporting Standards (IFRS) meant that some of the statements required for audit were late. To put this in context, in their September report the auditors also acknowledged that this has been the case for a number of Authorities this year.
- 2.5 In their value for money section the auditors conclude that the authority has robust systems and processes in place to maintain a stable financial position and effectively manage financial risks. They make some suggestions in relation to the medium term financial strategy and again conclude that the approach towards the achievement of efficiency savings is sound.
- 2.6 Mr Cornett the District Auditor will attend the meeting to present his report and answer any questions that Members may have.

3. FINANCIAL IMPLICATIONS

The financial implications of the external auditors report relate to assurances that Members may draw from the comments that the Auditors make in areas such as the audit of the accounts, the value for money conclusion and the fact that no matters are being drawn to their attention.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for human resources or learning and development arising from this report.

5. EQUALITY IMPACT ASSESSMENT

There are no implications Equalities arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The external auditors carry out their work within a framework of risk management and also comment upon the arrangements for risk management within the Authority. To this extent the Auditors form a significant part of the Authority's risk control model in terms of their independence.

9. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Annual Audit Letter

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 my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

I have included only significant recommendations in this report. Your Officers have accepted these recommendations.

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

Audit opinion and financial statements

I issued an unqualified opinion on the financial statements on 30 September 2011.

Value for money

My conclusion on your arrangements for securing economy, efficiency and effectiveness in the use of resources is informed by my work to assess your performance against criteria specified by the Audit Commission.

I issued an unqualified conclusion on 30 September 2011.

Current and future challenges

In common with all public sector bodies, you continue to face challenges into the medium and longer term which include:

Economic downturn and pressure on the public sector

All public sector organisations continue to face challenges arising from the economic downturn.

Financial resilience is regarded as a high priority by Nottinghamshire and City of Nottingham Fire Authority. You have 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.

In addition, the current review of fire cover arrangements should allow you to demonstrate a stronger link between the patterns of risk and service demand and the allocation of financial resources. It may also identify opportunities for efficiency savings to be realised;

Nevertheless, the requirement to deliver approximately £8m savings over the next four years represents a significant financial challenge. As Members you will need to ensure there is resilience within the medium term financial strategy and that your current governance arrangements are sufficiently robust to deliver the high level of scrutiny and engagement required in such a challenging financial climate.

Joint arrangements – Regional Control Centre

You have developed and improved arrangements for working with your partners over recent years. These joint working arrangements will become more important to your financial resilience and continued success as the scale of anticipated savings cannot be achieved in isolation.

The profile and potential for joint working will increase following the termination of the project to establish Regional Control Centres. Fire authorities are required to submit bids for funding for replacement control systems. The underlying issue within the bidding process is one of collaboration and resilience. To meet these principals, you are proposing to enter into a hub and client arrangement with neighbouring fire authorities.

Recommendations

Recommendation

R1 Assure yourselves that your current financial and performance management arrangements are strong enough to respond to the significant financial and delivery challenges changes faced by the fire service and the wider public sector.

Financial statements and annual governance statement

Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified opinion on the financial statements on 30 September 2011.

In common with many authorities, the timeliness with which your accounts were completed was affected by the changes in reporting requirements. This was compounded at Nottinghamshire and City of Nottingham Fire and Rescue Authority by the introduction of new financial systems during the year. The financial statements you submitted for audit were not complete – the primary statements themselves were complete, but a number of the notes had not been finished. The professionalism and commitment of the finance staff meant that this had little impact on the audit or the quality of the audited statements other than the timeliness of presenting a complete set of accounts.

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

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether you are managing and using your money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) 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 overall conclusion is that you have adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<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>You successfully delivered your 2010/11 budget, continuing your 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. You have actively sought permanent and recurring solutions to the financial pressures you face and have avoided short-term one-off solutions as evidenced through the delivery of the Medium Term Financial Strategy (MTFS). The 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 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.

Key messages

Overall the reduction in funding remains a risk, but this risk is fully recognised and work is being actively undertaken by your officers across the organisation to address the issue through the prioritisation of resources. The 2010/11 budget was driven by a risk assessment, building on risks within strategic plans and from tools such as FSEC and MOSAIC. You have 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 you can show that you have 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 your costs are significantly higher than the national average

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Assistant Chief Officer (Head of Finance and Resources). I will present this letter to a meeting of the Authority on 16 December 2011 and will provide copies to all Members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to you during the year.

Report	Date issued
Audit fee letter	April 2010
Detailed audit plan	January 2011
Annual governance report	September 2011
Audit opinion and certificate	September 2011

You have taken a positive and constructive approach to our audit. I wish to thank your Officers and Staff for their support and co-operation during the audit.

John Cornett

District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	£75,000	£75,000	-
Non-audit work	-	-	-
Total	£75,000	£75,000	-

The Audit Commission is paying rebates of £1,125 (value for money) and £4,470 (IFRS) to you reducing the net amount payable to the Audit Commission to £69,405.

Appendix 2 - Glossary

Annual governance statement

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.

It comprises the systems and processes, 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.

The annual governance statement is a public report by the Council 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.

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.

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.

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.

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