

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY</b>	
date	<b>22 October 2004</b>	Agenda item number

### REPORT OF THE TREASURER

#### STATEMENT OF AUDITING STANDARD 610 (SAS610)

##### 1. PURPOSE OF REPORT

This is a report by the Authority's External Auditors, Messrs PriceWaterhouseCoopers, who are required to report to Members, in advance of the signing off of the final accounts, on matters arising from their audit. A full copy of the report is given as Appendix A and the Auditors will be available to present this to the Authority.

##### 2. BACKGROUND

- 2.1 SAS610, "Communication of audit matters to those charged with governance", requires the auditors to report on a range of matters related to the audit. Key amongst these is the requirement to report as to whether there are any unadjusted misstatements in the accounts. This could arise where there is disagreement between the auditors and officers of the Fire Authority over the accounting treatment of particular items and where the auditors have recommended changes to the accounts which have not been made.
- 2.2 The auditors will report that, after making the adjustments which they have recommended, there are no unadjusted misstatements in the accounts. There have been a number of areas where the Auditors have made recommendations, however none of these is considered material nor do they require separate consideration by the Fire Authority.
- 2.3 The adjustments referred to in the report at Paragraph 10 related largely to the recalculation of the insurance provision and a revision to the bad debt provision to reflect a debt which was actually paid after the year end even though the Authority had provided to write it off.
- 2.4 The auditors have also concluded that they had identified no material accounting and control weaknesses during their audit work, and that there are no disagreements between themselves and the Authority which could be significant in terms of either the final accounts or their report.
- 2.5 It is appropriate to draw the attention of Members to Paragraph 20 of the report in which the Auditors are highly complimentary of the work that has been carried out in the finance office. This is particularly important in that it shows a substantial improvement from the 2002/3 final accounts, where the auditors had had some difficulties.

- 2.6 It is also relevant to note that during this crucial time of accounts preparation and audit, there was sickness absence in the department which meant that the bulk of the work was carried out by a member of staff who was acting up into this role.
- 2.7 The process of accounts preparation and audit has been foreshortened somewhat this year, which meant that a great deal of co-operation was required between the finance staff and the auditor team. Both responded well and a tight deadline was successfully met.

### **3. FINANCIAL IMPLICATIONS**

There are no specific budgetary implications arising from this report, although it clearly relates to the financial management of the Authority.

### **4. PERSONNEL IMPLICATIONS**

There are no personnel implications arising from this report.

### **5. RISK MANAGEMENT IMPLICATIONS**

External Audit provide a useful role in financial risk management. They provide an independent assessment of the financial affairs of the organisation such that Members, who are charged with governance, are made fully aware of significant matters affecting the finances of the Authority.

### **6. RECOMMENDATIONS**

That Members note the contents of this report.

### **7. BACKGROUND PAPERS FOR INSPECTION**

None.

Alan Sumbly  
**TREASURER TO THE FIRE AUTHORITY**

# **Nottinghamshire and City of Nottingham Fire Authority**

*SAS 610 Report - 'Communication of relevant audit  
matters to those charged with governance'*

**5 October 2004**

Members of the Authority  
Nottinghamshire and the City of Nottingham Combined Fire Authority  
Bestwood Lodge  
Arnold  
Nottingham  
NG5 8PY

5 October 2004

Ladies and Gentlemen

**SAS 610 report on the audit of the 2003-04 financial statements**

We are pleased to present our Statement of Auditing Standard 610 ('SAS 610') report in connection with the audit of the 2003-04 financial statements.

We would like to express our thanks to the management and staff at the Fire Authority for the assistance given to us during the course of our work.

Yours faithfully

PricewaterhouseCoopers LLP

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## **I. Introduction**

1. SAS 610 - "Communication of audit matters to those charged with governance" requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity, sufficiently promptly to enable them to take appropriate action. In the case of Nottinghamshire and the City of Nottingham Combined Fire Authority ('the Authority') we have agreed with you previously that these matters should be communicated to the Combined Fire Authority.
2. SAS 610 specifically requires us to communicate the following matters to those charged with governance:
  - expected modifications to the auditors' report;
  - unadjusted misstatements;
  - material weaknesses in the accounting and internal control systems identified during the audit;
  - views about the qualitative aspects of the entity's accounting practices and financial reporting;
  - matters specifically required by other auditing standards to be communicated to those charged with governance; and
  - any other relevant matters relating to the audit.
3. With regards to the individual points noted above those charged with governance should give consideration to the issues contained within this report prior to approving the audited accounts.
4. SAS 610 also requires us to communicate with those charged with governance regarding:
  - the concept of materiality and its connection to our audit approach;
  - our approach in addressing the risk of material misstatement;
  - our approach to the assessment of, and reliance on, internal controls;
  - intended reliance on the work of internal audit; and
  - the work to be undertaken by any other firms of auditors, and how we will obtain assurance over the procedures of other auditors; and
  - the independence and objectivity of the audit team.
5. These matters have already been considered and communicated to you in the Audit Service Plan.
6. We hope that members find the information in this report useful and we will of course be able to discuss the matters further at the forthcoming Combined Fire Authority meeting.

## II. Audit and Accounting Issues

7. We have set out below our comments on each of the matters that we are required to report to you under SAS 610.

### **Expected modifications to the Audit Report**

8. Our audit is now complete, and subject to receiving the management representation letter referred to later in this report, we anticipate issuing an unqualified audit opinion on the 2003/04 financial statements by the end of October 2004.

### **Adjustments to the Accounts**

9. We are required to report adjusted misstatements to you only if the impact is significant. There are no such items to report with respect to the Authority's accounts.
10. However, as one would expect, our audit identified a number of misstatements and disclosure issues within the draft accounts submitted for audit. These have been discussed with the Head of Finance and Resources and agreement was reached to amend the accounts in relation to all these issues identified. The net effect of the adjustments on the 2003/04 accounts was to reduce expenditure on the revenue account and increase net assets by £45,331, other adjustments related to re-classifications within the revenue account and the balance sheet with no impact on the overall level of expenditure and/or net assets.
11. None of these amendments were of such significance as to require consideration by the CFA in the context of this report.

### **Unadjusted misstatements**

12. We have not identified any misstatements during our audit of the Authority's financial statements that have not been adjusted by management.

### **Material weaknesses in the accounting and internal control systems**

13. It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as auditors is to consider whether the Authority has put adequate arrangements in place to satisfy itself that its systems of internal financial control are both adequate and effective in practice.
14. The purpose of our audit was to perform an examination of the financial statements of the Authority, in accordance with approved Auditing Standards. Our work was restricted to those procedures we considered necessary to form an opinion on the financial statements of the Authority and appropriate levels of materiality were adopted in this respect. Our comments below do not therefore contain all the possible findings that a more extensive examination might reveal.
15. In our Audit Service Plan we set out how our audit approach places emphasis on the way in which you manage the range of key risks affecting your business, whilst also focusing on the impact of these risks on our audit objectives.

16. Our audit of the Authority was undertaken in two stages. The interim audit visit undertaken in March 2004 concentrated on the identification, review and testing, where appropriate, of key high-level controls operating around the Authority's major financial systems. We also considered the Authority's approach to the management of business risks. Where appropriate, our work has taken account of the findings of work performed by internal audit around systems of control.
17. Based on our initial risk assessment, interim audit findings and our conclusions based on review of internal audit work, we tailored our approach to the audit of the financial statements, which took place in June / July 2004 in order to fulfil our objectives under the Code of Audit Practice. As part of this tailoring of our final audit work, we have included some additional audit testing, targeted in response to weaknesses in the financial systems that were identified either by ourselves or internal audit, such as detailed testing of the year-end stock balance and targeted cut-off testing in relation to debtors and creditors.
18. The control matters arising from our earlier audit work, together with follow-up of issues raised in 2002/03, and management's responses and proposed actions regarding the recommendations made have been reported separately to the Treasurer and Head of Finance and Resources.
19. No material accounting and control weaknesses were identified during our audit work. However, we identified a number of control issues following our work on the audit of the financial statements, none of which are significant in the context of giving our opinion on the financial statements or require drawing to members' attention in the context of this report. These issues identified will be reported separately in a letter to the Treasurer and Head of Finance and Resources in due course.

### **Qualitative aspects of the entity's accounting practices and financial reporting**

20. Our audit timetable was moved forward by five weeks this year to help to accommodate the Authority's tighter deadlines for approving the accounts. In order to meet this timetable, we agreed with the Head of Finance and Resources that the finance team would need to provide us with a full draft set of accounts by Monday 7th June. We are pleased to report that this deadline was met, and that we were provided with a full draft set of accounts and a complete set of supporting working papers on the first day of our audit visit. We would like to take this opportunity to commend the finance team on the high quality of the working papers they provided, and for the assistance and co-operation shown to us during our audit work. This is reflected in the decrease in the number of issues raised during the course of our audit, and the timely resolution of those issues identified, allowing us to substantially complete our work prior to the accounts being taken to the CFA for approval.
21. There are no matters that we wish to bring to your attention regarding disagreements between PwC and the Authority that could be significant to the financial statements or our report.



22. As is our normal practice, regarding matters of estimation and judgement within the accounts, we will be seeking written representations from the Authority. We are in the process of agreeing the wording of the management representation letter with the Head of Finance and Resources.

**Matters specifically required by other auditing standards to be communicated to those charged with governance**

23. Examples of matters to be reported under this heading are instances of irregular expenditure or evidence of fraud or misconduct, or poor standards of financial integrity. We are pleased to report that there are no such matters that we need to bring to your attention.

**Any other relevant matters relating to the audit**

24. There are no other matters that we wish to bring to your attention.

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