



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

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **AUDIT PLAN 2008/09 AND UPDATED OPINION AUDIT PLAN 2007/08**

Joint report of the Treasurer and Chief Fire Officer

**Agenda Item No:**

**Date:** 23 May 2008

**Purpose of Report:**

To inform Members of the update to the planned work to be undertaken by the External Auditors in respect of the 2007/8 financial accounts and the work that they propose for the 2008/09 Accounts.

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## **1. BACKGROUND**

- 1.1 Members may recall that at the meeting of the Authority on 1 June 2007 the External Auditors presented their audit plan for the closure of the 2007/8 final accounts. This plan was produced before the audit of the 2006/7 accounts was completed and therefore was uninformed by this work. Having completed that audit some time ago the Auditors have now issued an update to the original plan which is presented here to Members as Appendix A to this report.
- 1.2 As the appointed External Auditors to the Authority the Audit Commission are required to report to the Authority on their plans for carrying out the 2008/09 Audit. This plan is also attached as Appendix B to this report.

## **2. REPORT**

### **Opinion Audit Plan Update**

- 2.1 The Audit Plan for 2007/08 issued in June 2007 set out the work that the auditors are required to do to satisfy the code of practice but did not include the detailed risk assessment. This report now includes the assessment and the auditors response to these risks.
- 2.2 The report also confirms that the triennial review of Internal Audit arrangements has taken place and confirms the audit fees for the opinion audit element of their work.
- 2.3 Risks identified by the Auditors include:
  - Changes to the Statement of Recommended Accounting Practice
  - The possibility of group accounts needing to be prepared for the LACC
  - FRS matters relating to pensions disclosures.
  - Various matters relating to disclosures in respect of Financial Instruments
  - The new arrangements for and publication of the Governance Statement

### **Audit and Inspection Plan 2008/09**

- 2.4 This plan sets out the auditors planned activity for the 2008/09 audit both in terms of their audit of the financial accounts and the work that they carry out of Value for money and the Direction of Travel assessments.
- 2.5 The report sets out the Audit Commission's risk based approach to planning and sets out some of their approach to the impending Comprehensive Area Assessment (CAA). To this end a Comprehensive Area Assessment Lead (CAAL) has been appointed who will deal with CAA across the whole City and County.

- 2.6 As well as setting out the Auditors responsibilities, the report also sets the Auditors fees for 2008/09 of £65,000. The audit fees are 4% lower than the Audit Commission fee scale for an Authority the size of Nottinghamshire and City of Nottingham Fire & Rescue Authority to reflect the lower risk category in which the Authority has been placed.
- 2.7 The detail of the report sets out the detail of the work to be carried out, key contacts, key dates for meetings etc.

### **3. FINANCIAL IMPLICATIONS**

The audit fees for 2007/8 have been confirmed as £54,255 and for 2008/9 as £65,000 in accordance with the Audit Commission fee scale. The sums are accounted for within the annual budget.

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

There are no specific personnel implications which arise directly from this report.

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

The initial equality impact assessment is attached at Appendix C. No impacts were identified.

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

There are no specific crime and disorder implications which arise directly from this report.

### **7. RISK MANAGEMENT IMPLICATIONS**

External Audit fulfil a valuable risk management control function in that they provide an independent view as to the validity and accuracy of the Authority's accounts. This not only provides a service to the Authority but also to the general public and other stakeholders.

### **8. RECOMMENDATIONS**

That Members approve the External Auditors update to the opinion audit plan for 2007/8 and the proposed audit plan for 2008/9.

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

None.

Frank Swann  
**CHIEF FIRE OFFICER**

Peter Hurford  
**TREASURER TO THE FIRE & RESCUE AUTHORITY**

## Appendix A

A&I Plan

May 2008



# **Audit and Inspection Plan**

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

**Audit 2008/09**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **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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## Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
  - audit and inspection work specified by the Audit Commission for 2008/09;
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As we have not yet completed our audit for 2007/08 the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

## Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
  - the Audit Commission Act 1998;
  - the Local Government Act 1999;
  - the Fire and Rescue Services Act 2004; and
  - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
  - the financial statements (including the annual governance statement); and
  - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Authority. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

## Fees

- 8 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 9 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £65,000, which compares to the actual/planned fee of £54,255 for 2007/08.
- 10 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

**Table 1      Audit and Inspection fee**

Audit area	Planned fee 2008/09	Planned/Actual fee 2007/08	Page
<b>Audit</b>			
<b>Total audit fee</b>	65,000	54,255	7
<b>Inspection</b>			
<b>Total inspection fee</b>			

- 11 The Audit Commission scale fee for Nottinghamshire Fire and Rescue Authority (FRA) is £67,580. The fee proposed for 2008/09 is 4 per cent less than the scale fee and is within the normal level of variation specified by the Commission.
- 12 In setting the fee, we have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
  - internal audit undertakes appropriate work on all systems; and
  - good quality working papers and records will be provided to support the financial statements by the agreed date.

Further details of our assumptions are outlined in Appendix 2.

- 13 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 14 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the FRA. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 15 The fee increase is due in part to the new data quality audit arrangements funded in part by the Audit Commission and to support the revised Use of Resources assessment for 2008.
- 16 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

### **Specific actions Nottinghamshire and City of Nottingham Fire and Rescue Authority could take to reduce its audit fees**

- 17 The Audit Commission requires its auditors to inform an authority of specific actions it could take to reduce its audit fees. We have identified the following actions the FRA could take.
  - Operating robust arrangements for data quality and providing a clear trail to supporting evidence for all performance indicators.
  - Ensuring adequate evidence is readily available to support assessments for Key Lines of Enquiries (KLoEs) in the new Use of Resources framework.

### **Process for agreeing any changes in audit fees**

- 18 As set out in paragraph 3, we expect that the initial risk assessment may change as the year progresses. Where this is the case, we will discuss this in the first instance with the Head of Finance and Resources. Supplements to the plan will be issued to record any revisions to the risk and the impact on the fee.

## Auditor's report on the financial statements

19 We are required to issue an audit report giving our:

- opinion on whether the financial statements present fairly the financial position of the Authority as at 31 March 2009; and
- conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Financial statements

20 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may only become apparent after we have completed our 2007/08 audit. A separate opinion audit plan for the audit of the financial statements will be issued in December 2008.

21 At this stage we are not aware of any major risks that are likely to impact on our audit of the financial statements. The planned roll-out of International Financial Reporting Standards has been deferred - it will undoubtedly be a major risk in subsequent years.

22 Details of the risk assessment process are outlined in Appendix 3.

### VFM conclusion

23 In reaching our conclusion, we will review evidence that is relevant to the Authority's performance management and financial management arrangements.

24 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks.

**Table 2 Key risks identified**

Key risks identified	Planned work to address the risk
Robustness of data quality arrangements.	New audit arrangements.
VFM cost benchmarking arrangements need to be developed.	Direction of Travel and Use of Resources Assessments.

## Use of resources

- 25 The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09. This will be a new assessment forming part of the CAA framework for 2009.
- 26 The approach to the new use of resources assessment will be focussed on three themes with detailed Key Lines of Enquiry to be confirmed. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Authority to mitigate the risk, and plan the work accordingly.
- 27 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

## Mandated work

**28** As part of the audit, the mandated work programme comprises:

- data quality for 2007/08 and 2008/09; and
- whole of government accounts.

Appendix 1 highlights the work to be undertaken.



## Fire and rescue performance assessment framework

**Table 3** Summary of inspection activity

<b>Inspection activity</b>	<b>Reason/impact</b>
Relationship Manager (RM)[/CAAL] role	To act as the Commission's primary point of contact with the Authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An assessment of improvement, or deterioration, in performance measured through a scored Direction of Travel assessment. The assessment will be outcome focused and will draw together other assessments on the FRA. The DoT assessment summary will be published on the Commission's website
Service assessment	A scored assessment which has an emphasis on service delivery. It includes a performance information element, and an operational assessment of service delivery provided by Communities and Local Government (CLG).

## Advice and assistance

- 29 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 30 If you wish the Commission to provide additional services under these powers, please contact your local team who will liaise with our regional lead on A&A (Dorothy Welsh 0844 798 5793).

## The audit and inspection team

- 31 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

**Table 4 Audit and inspection team**

<b>Name</b>	<b>Contact details</b>	<b>Responsibilities</b>
Steve Barnett Comprehensive Assessment Area Lead (CAAL)	s-barnett@audit-commission.gov.uk 0844 798 4352	The primary point of contact with the FRA and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
John R. Cornett District Auditor	j-cornett@audit-commission.gov.uk 0844 798 3558	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Fire Officer and audit committee.
Mike Wood Audit Manager	m-wood@audit-commission.gov.uk 0115 977 3710	Manages and coordinates the different elements of the audit work. Key point of contact for the Treasurer/Head of Finance and Resources.
Pauline Mack Regional Service Lead	p-mack@audit-commission.gov.uk 0844 798 4910	Responsible for the delivery of elements of the use of resources work including input into the use of resources assessment and elements of the Direction of Travel assessment.
Gerry Lewis Team Leader	g-lewis@audit-commission.gov.uk 0115 977 3049	Day to day running of the audit. Initial point of contact.

## Quality of service

- 32 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve the service, please contact me in the first instance. Alternatively, you may wish to contact the [name of (sub) Region] Head of Operations, East Midlands Regional Head of Operations, Alison Rigg.
- 33 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website or on request.

## Planned outputs

- 34 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

**Table 5**      **Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Opinion Audit and Inspection Plan	May 2008
Fire and rescue performance assessment framework scorecard	March 2009
Annual governance report	September 2009
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009
WGA audit report	October 2009
Final accounts memorandum (to the Head of Finance)	October 2009
Annual Audit and Inspection Letter	TBC

## Appendix 1 – Elements of our work

### Financial statements

- 1 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the FRA as at 31 March 2009 and its income and expenditure for the year.
- 3 We are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Authority.

### Value for money conclusion

- 4 The Code requires us to issue a conclusion on whether the FRA has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires me to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at my conclusion.
- 5 In meeting this responsibility, we will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, we will normally place reliance on their reported results to inform our work.
- 6 We will also follow up audit work from previous years to assess progress in implementing agreed recommendations.

### Use of resources assessment

- 7 The Commission has now consulted on its proposals for the 2008/09 use of resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.

- 8 The Commission proposes that the 2008/09 assessment will be based upon the evidence from three main themes:
- managing money;
  - managing the business; and
  - managing other resources.

## **Data quality**

- 9 Auditors will be required to undertake audit work in relation to data quality which will be directly linked to the VFM conclusion and the use of resources assessment.
- 10 From 2008/09, the approach to data quality is being considered as part of the use of resources framework. As part of the approach, the Audit Commission will specify work on fire performance indicators.

## **Whole of government accounts**

- 11 We are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

## **National Fraud Initiative**

- 12 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

## Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying at the FRA with reference to:
  - our cumulative knowledge of the FRA;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with FRA officers;
  - liaison with internal audit; and
  - the results of other review agencies' work where relevant.

## Assumptions

- 3 In setting the fee, we have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
  - you will inform us of significant developments impacting on our audit;
  - internal audit meets the appropriate professional standards;
  - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
  - good quality working papers and records will be provided to support the financial statements by the agreed date;
  - requested information will be provided within agreed timescales; and
  - prompt responses will be provided to draft reports.
- 4 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.

- 5 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
  - additional work is required by the Audit Commission or other regulators; or
  - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.

**Table 6 Detailed audit and inspection fee**

<b>Audit area</b>	<b>Planned fee 2008/09</b>	<b>Planned/Actual fee 2007/08</b>	<b>Page</b>
<b>Audit</b>			
Financial statements	34,500	33,171	16
Use of resources	23,900	21,084	16
Data quality	6,600	0	17
<b>Total audit fee</b>	<b>65,000</b>	<b>54,255</b>	
<b>Inspection</b>			
<b>Total inspection fee</b>	<b>0</b>	<b>0</b>	
<b>Total audit and inspection fee</b>	<b>65,000</b>	<b>54,255</b>	



## Appendix 3 – Initial risk assessment – use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
Regional Control Centre transition	Plans are in place.	Managerial and operational disruption and potential accounting issues.	We will monitor progress and pass on available guidance.	KLoE 4.1 The Authority manages its significant business risks. KLOE 1.1 The authority produces annual accounts in accordance with relevant standards.
Whole Government Accounts - IRFS requirements	Officers are planning for this.	Adverse opinion on WGA.	We will monitor progress and pass on available guidance.	KLOE 1.1 The authority produces annual accounts in accordance with relevant standards.

## Appendix 4 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the [audit committee]. The auditor reserves the right, however, to communicate directly with the Authority on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work, without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

## Appendix 5 – Working together

### Meetings

- 1 The audit and inspection team will maintain knowledge of your issues to inform audit and inspection through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

**Table 7 Proposed meetings with officers**

Authority officers	Audit Commission staff	Timing	Purpose
Chief Fire Officer Treasurer/ Head of Finance	District Auditor (DA) Audit Manager (AM) Relationship Manager (RM)	As necessary	General update plus: <ul style="list-style-type: none"> <li>• May - Audit and Inspection Plan;</li> <li>and</li> <li>• March - Annual Audit Letter.</li> </ul>
Head of Finance	AM and Team Leader (TL) as necessary	Quarterly	Update on audit and opinion issues
Head of Performance	AM, RM, Performance specialist as appropriate	As necessary	CAA, DoT and UoR progress/issues
Chief Internal Auditor	AM and TL	As necessary	Update on audit progress and issues
Audit Committee	DA and AM, with TL as appropriate	As necessary	Formal reporting of: <ul style="list-style-type: none"> <li>• Audit and Inspection Plan;</li> <li>• annual governance report;</li> <li>• Annual Audit and Inspection Letter;</li> <li>and</li> <li>• other issues as appropriate.</li> </ul>

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.

## Appendix B

Audit Summary Report

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Date

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# Opinion Audit Plan update

**Nottinghamshire and City of Nottingham Fire  
Authority**

**Audit 2007/08**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Mike Wood

Filename Updated Opinion Audit Plan 2207-08MW.doc

### **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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## Introduction

Auditing standards require us to:

- Identify the risk of material misstatement in your accounts;
- Plan audit procedures to address these risks; and
- Ensure that the audit complies with all relevant auditing standards.

## Background

Our audit plan for 2007/08 sets out the work that we need to do to satisfy our responsibilities under the Audit Commission Code of Practice but did not include a detailed risk assessment in relation to the opinion audit. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion work.

As our initial plan was produced at the start of the financial year and before our work on the 2006/07 financial statements was complete, it was not possible to specify these risks at that time. We are now in a better position to do this.

## Opinion Audit

We have updated our 2007/08 audit plan and we have set out a risk assessment in relation to the 2007/08 opinion audit at Appendix 1.

We have recently started our interim audit work and our initial work will consist of updating our documentation of each financial system's processes and controls and confirming our understanding of these by following transactions through each of the systems into the ledger. The outcome of this work will inform controls testing undertaken during January and February 2008.

We have also completed our triennial review of the internal audit function to ensure that they continue to meet the CIPFA internal audit standards.

## Conclusions

We have now considered the additional risks that are appropriate to the current opinion audit and we have set these out below.

In the original 2007/08 audit plan, the estimated fee for the opinion audit is £33,171.

Having considered the above risks we remain satisfied that the original estimate for 2007/08 is still appropriate at this stage. Should any change to the proposed fee be considered necessary, we will inform you at the earliest opportunity.

## Appendix 1 – Opinion Risks

Risk/issue	Audit response
<p>SORP changes The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. Must have detailed records of reserve account analysed by asset.</p>	<p>Regular meetings /liaison will be held with Principal Accountant to monitor the closedown process for 2007/08. We will pass on any guidance available.</p>
<p>Possibly group accounts re the Regional Control Centre (depends on materiality)</p>	<p>As above plus the Commission is considering different treatments</p>
<p>FRS 17 Pension costs - uncertainty over whether separate disclosure required for each of the Firefighters schemes. Depends on materiality.</p>	<p>As above.</p>
<p>FRS 17 Pensions cost - effect of top up grant on liabilities - clarification</p>	<p>As above</p>
<p>The proposal to take out long-term borrowing in the form of a lender-borrower option loan (LOBO). Accounting arrangements to now conform with FRS 25, 26 and 29 on Financial Instruments (incorporated into the SORP)</p>	<p>As above</p>
<p>Carrying value of fixed rate long-term borrowing to include accrued interest</p>	<p>As above</p>
<p>Disclosure of fair value of financial instruments such as long -term borrowing and investments now required</p>	<p>As above. The PWLB will supply information for their loans.</p>
<p>Depreciated Replacement Cost (DRC) should only be used as a last resort for valuation of buildings. Need to review.</p>	<p>As above</p>
<p>Need to publish a Governance Statement (wider than the Statement on Internal Control) supported by a review in accordance with CIPFA guidance</p>	<p>As above</p>

## INITIAL EQUALITY IMPACT ASSESSMENT

<b>Section</b>	<b>Manager</b>	<b>Date of Assessment</b>	<b>New or Existing</b>
<b>Finance &amp; Resources</b>	<b>Head of Finance and Resources</b>	<b>19/05/2008</b>	<b>Existing</b>
<b>Name of Report to be assessed</b>		AUDIT PLAN 2008/09 AND UPDATED OPINION AUDIT PLAN 2007/08	
1. Briefly describe the aims, objectives and purpose of the report.		The report sets out the audit plans for the External Auditors.	
2. Who is intended to benefit from this report and what are the outcomes?		The Fire Authority and stakeholders in general	
3. Who are the main stakeholders in relation to the report?		The General Public and Members of the Authority.	
4. Who implements and who is responsible for the report?		The External Auditors	

5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

<i>STRAND</i>	<b>Y</b>	<b>N</b>	<i>NEGATIVE IMPACT</i>	<b>POSITIVE IMPACT</b>					
Race		<b>N</b>							
Gender		<b>N</b>							
Disability		<b>N</b>							
Religion or Belief		<b>N</b>							
Sexuality		<b>N</b>							
Age		<b>N</b>							
6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group?			<b>Y</b>	<b>N</b>	7. Should the policy/service proceed to a full impact assessment?			<b>Y</b>	<b>N</b>

**I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.**

Signed (completing person)...Neil Timms, Head of Finance, Resources & ICT.....

Date ...19/05/2008...