



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

EXTERNAL AUDITORS' GOVERNANCE REPORT 2008/09

Joint Report of the Chief Fire Officer and the Treasurer

Agenda Item No:

Date: 04 September 2009

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.

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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 2008/09 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 In addition, the Annual Governance Report includes the draft scores for the Authority's Use of Resources. These scores are currently under review as part of the Audit Commission's national quality assurance process and the final scores will be published on 14 September 2009.
- 1.4 This report to Members sets out the key points in the Governance Report. The full Annual Governance Report is attached as Appendix A. The District Auditor from the Audit Commission will be present at the meeting.

2. REPORT

- 2.1 The annual audit is substantially complete and this Annual Governance Report sets out the key issues which should be considered by Members before the audit opinion, conclusion and certificate can be issued.
- 2.2 This report is a very positive one for the Authority and shows that the accounts presented for audit were of a high standard and supported by good quality working papers. There were no significant errors and the Auditors propose to issue an unqualified opinion on the accounts.
- 2.3 The Annual Governance Report sets out on pages 6 and 7 the matters which Members are asked to consider before the audit opinion is issued. This confirms that there were no errors to be reported and no internal control weaknesses found. The key areas of risk considered by the Auditors during their audit were the Regional Control Centre transition and progress towards the adoption of International Financial Reporting Standards. The Auditors will continue to monitor the Authority's progress in these areas and have not identified any areas of concern at this stage.

- 2.4 The Auditors also propose to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 2.5 The letter of representation is set out on pages 14 to 16 of the Governance Report. This letter confirms the Authority's responsibilities with regard to the 2008/09 financial statements and must be considered by Members before it can be signed, thereby allowing the audit certificate to be issued. There is one specific representation in the letter, referring to the Authority's £2m investment with the Bank of Ireland. Members will recall that within the Treasurer's Foreword in the Statement of Accounts it was noted that the Bank of Ireland's credit rating had fallen below the Authority's minimum criteria after the investment had been made, but that there was no reason to believe that the capital sum will not be repaid in November 2009. This issue is reviewed regularly by the Head of Finance and Resources and, at the time of writing this report, the investment is still considered to be secure.
- 2.6 The Use of Resources scores shown in the Annual Governance Report are draft scores. Although changes to these results are not anticipated, it is possible that they could alter as a result of the national quality assurance process, which is currently underway. Appendix 3 of the Governance Report sets out the draft scores for each theme and each key line of enquiry and contains positive commentaries. A further report will be brought to Members on this issue after the final Use of Resources scores have been published.

3. FINANCIAL IMPLICATIONS

The only financial implications of this report are the Auditors' fees, which are referred to on page 4 of the Governance Report. These fees were notified to the Authority in advance and appropriate revenue budget provision was made.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

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 use of resources. This in turn provides strong and independent risk control as well as an assurance to Members.

9. RECOMMENDATIONS

It is recommended that Members:

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

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

PETER HURFORD
TREASURER TO THE FIRE AUTHORITY

FRANK SWANN
CHIEF FIRE OFFICER