

Annual Governance Report

Nottinghamshire & City of Nottingham Fire & Rescue
Authority

Audit 2008/09

Date August 2009

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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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Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

We discussed the content of our report with the Assistant Chief Officer and Strategic Director (Finance and Resources) and have made updates as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7); and
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 2).

Yours faithfully

John Cornett
District Auditor
Date: August 2009

Key messages

This report summarises the findings from the 2008/09 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 how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	
Financial statements free from error	Yes	
Adequate internal control environment	Yes	
Use of resources	Results	Page
Use of resources judgements	Yes	
Arrangements to secure value for money	Yes	

Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an unqualified opinion on your accounts.

Financial statements

- 2 The accounts presented for audit were of a high standard and supported by good quality working papers. There are no errors that need to be brought to your attention.

Use of resources

- 3 We have completed our Use of Resources assessment, and included our draft scored judgments at Appendix 3. The Appendix shows the draft scores that have been submitted to the Audit Commission and are currently being reviewed as part of the national Quality Assurance process. The final scores will be released on 14 September 2009.

Audit Fees

- 4 We have completed the audit within the agreed fee for the year.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It 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.

5 I ask the Fire Authority to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the VFM Conclusion and draft Use of Resources score; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

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.

Opinion on the financial statements

- 6 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 audit report.

Errors in the financial statements

- 7 There are no errors in the financial statements that we need to bring to your attention.

Material weaknesses in internal control

- 8 There are no issues we need to bring to your attention.

Letter of representation

- 9 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 10 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1 below.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Regional Control Centre transition	The timetable for the transfer to the Regional Control Centre has now slipped., and so has not been an issue for the 2008/09 audit. We will continue to monitor progress and pass on relevant guidance

Financial statements

Issue or risk	Finding
	where available.
Whole of government accounts – IFRS requirements	We will continue to monitor progress and pass on relevant guidance issued by the Audit Commission.

Accounting practice and financial reporting

11 I consider the qualitative aspects of your financial reporting. The financial statements presented for audit were of a good standard and were supported by good quality working papers. The explanatory forward was also of a good standard and provided useful context and background to the statements.

Use of resources

I am required to consider how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

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

Use of resources judgements

- 12** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 13** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 14** The Authority's use of resources draft theme scores are shown in Table 2 below. The draft scores have been submitted to the Audit Commission and are currently being reviewed as part of the national Quality Assurance process.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	3

- 15** The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 3. The final scores will be released on 14 September 2009.

Value for money conclusion

- 16** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 3.

Use of resources

- 17 I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 18 Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Nottinghamshire and City of Nottingham Fire Authority

Independent auditor’s report to the Members of Nottinghamshire and City of Nottingham Fire Authority.

Opinion on the financial statements

I have audited the accounting statements, the firefighters pension fund accounting statements and related notes of Nottinghamshire and City of Nottingham Fire Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Nottinghamshire and City of Nottingham Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer’s responsibilities for preparing the financial statements, including the firefighters pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters pension fund accounting statements and related notes present fairly, in accordance with

Appendix 1 – Independent auditor’s report to Members of Nottinghamshire and City of Nottingham Fire Authority

applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters pension fund accounting statements and related notes. My responsibilities do not extend to any other information.]

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority [and its Group] as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters pension fund during the year ended 31 March 2009 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Nottinghamshire and City of Nottingham Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Appendix 1 – Independent auditor’s report to Members of Nottinghamshire and City of Nottingham Fire Authority

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Cornett

(Officer of the Audit Commission)

Rivermead House
7 Lewis Court
Grove Park,
Enderby
Leicestershire, LE19 1SU

[Date]

Appendix 2 – Draft letter of representation

To:

John Cornett
District Auditor
Rivermead House
7 Lewis Court
Grove Park,
Enderby
Leicestershire, LE19 1SU

Nottinghamshire and City of Nottingham Fire and Rescue Authority - audit for the year 2008/09

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Nottinghamshire and City of Nottingham Fire and Rescue Authority, the following representations given to you in connection with your audit of the Fire and Rescue Authority's financial statements for the 2008/09 ended. All representations cover the Authority's accounts and pension fund accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge 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: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Fire and Rescue Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fire and Rescue Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Fire and Rescue Authority meetings, have been made available to you.

Irregularities

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

Appendix 2 – Draft letter of representation

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

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; and
- 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.

Law, regulations, contractual arrangements and codes of practice

The Fire and Rescue 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the measurement and valuations of investments disclosed under Financial Instruments (note 27) I confirm:

- the appropriateness of the measurement method;

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in notes 21, 27 and 28 to the financial statements, we have no lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Finance and Resources Committee no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Fire and Rescue Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations

The Fire and Rescue Authority had an investment of £2million with the Bank of Ireland on 31 March 2009. We are not aware of any information that has come to light since the balance sheet date that suggests that we will not be able to recover this amount.

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

I confirm that the this letter has been discussed and agreed by the Fire and Rescue Authority on [date]

Signed

Name

Position

Date

Appendix 3 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

The scores shown below are the draft scores which have been submitted to the Audit Commission and are currently being reviewed as part of the national Quality Assurance process. The final scores will be released on 14 September 2009.

Once the final scores have been released, we will provide the Fire and Rescue Authority with more detailed feedback on each of the Key Lines of Enquiry. We will highlight strengths in the existing arrangements and any areas for further development.

Table 1 Managing finances

Theme score	2
Key findings and conclusions	
The FRA meets the basic standards for managing finances, with some areas where it performs well.	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Medium Term Financial Plan is linked to the Community Safety Plan and is based on realistic financial assumptions. Managers are routinely involved in the budget development process. The budget is comprehensive, balanced and realistic and is underpinned by sound assumptions in relation to treasury management. The FRA has carried out base budget	

Appendix 3 – Use of resources key findings and conclusions

reviews to challenge the way that resources are allocated and has a track record of operating within its budget.	
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The FRA is developing its approach to benchmarking, and has a dedicated value for money accountant who is responsible for this role. The approach is continuing to develop. New projects are costed on a whole life basis with revenue and environmental issues assessed.	
KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
Financial information is produced promptly and budget holders can produce information at any time. Budget holders are supported by training and by a business partner from the finance team. Budget reports to members are clear. The 2008/09 accounts presented for audit were of a high standard and were supported by good quality working papers.	

Appendix 3 – Use of resources key findings and conclusions

Table 3 **Governing the business**

Theme score	2
Key findings and conclusions	
The FRA's arrangements for governing the business meet the basic standards. The FRA recognises the need to develop a number of its arrangements further, and work is in progress to address this.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The FRA has a vision of what it wants to achieve for its community and works with partner organisations to deliver activities and services to the community. There is an ongoing programme of best value reviews. The FRA understands the importance of understanding the supply market and can demonstrate that it has evaluated different options for procuring supplies.	
KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
There are data sharing arrangements in place for the FRA's partnerships and the FRA works with partners to secure data security. Performance against priorities is monitored by officers and members. Members are provided with a district profile for each area, setting out demographic information, needs analysis and partnership issues. Our spot check work confirmed the accuracy of the data supporting the national indicators.	

Appendix 3 – Use of resources key findings and conclusions

KLOE 2.3 (good governance)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The FRA adopted a local code of corporate governance in 2008. Roles and responsibilities of officers and members are defined, working relations between officers and members are good. The FRA maintains a focus on its purpose and vision by regularly reviewing its performance, in particular in relation to community safety. This is reflected in the continuous improvement in community safety PI targets set by the authority.</p>	
KLOE 2.4 (risk management and internal control)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The FRA has arrangements for risk management and has an approach to setting risk appetite. There is an anti-fraud policy in place and the FRA can demonstrate participation in the NFI. The system of internal control is supported by the internal audit function, there are sound controls over the key financial systems.</p>	

Appendix 3 – Use of resources key findings and conclusions

Table 4 Managing resources

Theme score	3
Key findings and conclusions	
Workforce planning is integrated with corporate and business planning. Shift patterns have been reviewed and changed to a more flexible, self rostering approach. The change in shift patterns has increased response capacity and provided a more flexible and responsive service.	
KLOE 3.3 (workforce planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
Workforce planning is integrated with corporate and business planning. The FRA can demonstrate that it has moved resources from response to prevention and demonstrate that resources will be moved back to response if risks change. The review of the shift system is providing a more flexible and responsive workforce. The FRA takes action to promote itself as a good employer and is working towards building a workforce that is more representative of the population it serves.	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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