

meeting **NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

FINANCE AND RESOURCES COMMITTEE

date **20 September 2007** agenda item number

JOINT REPORT OF CHIEF FIRE OFFICER AND TREASURER

EXTERNAL AUDITORS GOVERNANCE REPORT 2006/07

1. PURPOSE OF REPORT

To present the External Auditors Governance report to Members and provide an opportunity for Members to discuss the report with the District Auditor Mr David Brumhead who will be attending the meeting.

2. BACKGROUND

2.1 The External Auditors are required by International Auditing Standards (ISA260 Reporting to those charged with Governance) to issue a report to those charged with governance summarising the conclusions of their audit work.

2.2 The principal purposes of the report are:-

To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Fire and Rescue Authority;

To share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and

To provide the Authority with recommendations for improvement arising from the audit process.

2.3 The report sets out the auditor's views and opinions on two main issues:-

The Authority's financial statements; and

The Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

2.4 The following section sets out the main issues highlighted in the auditors report and management's response to them. The final draft report is attached for Members as Appendix A.

3. REPORT

3.1 The auditors set out a number of key messages in their report which are that:-

Whilst there is a small amount of audit work remaining to be completed the Auditors anticipate being able to issue an unqualified opinion on the financial statements by 30 September 2007.

In their view, the Statement on Internal Control has been prepared in accordance with proper practice and is consistent with the findings of the audit

The auditors are proposing to issue an unqualified conclusion in respect of the Authority's use of resources.

There have been major changes to the format of accounts for 2006/07, namely the new Income and Expenditure account and Pension accounts. These new arrangements and in particular the latter has proved a difficult exercise but officers have successfully managed the timely production of the Authority's accounts.

- 3.2 This is a very positive report which indicates that the accounts closure processes have continued to improve and that the technical expertise of staff continues to increase. The Auditors note that there are no unadjusted misstatements in the accounts and bring t the attention of Members only two adjustments which were made at audit.
- 3.3 The first of these was an error made by the Pensions Administration Authority which then reflected in the accounts of the Authority and the other was a technical error in the accounts which does not affect the overall position of the Authority but causes the balance sheet to alter slightly.
- 3.4 The Auditors also requested that some additional notes should be provided to explain material items in the accounts.
- 3.5 The Auditors comment that the standard of working papers was generally good and that there were no major issues in obtaining audit evidence. They do however recommend that the Authority looks to provide more details around purchase and sales ledger balances as well as improving the audit trail in respect of the Best Value Accounts.
- 3.6 The Auditors identified no material weaknesses in Internal Control however they did suggest that a comment regarding the process of implementation of the Human Resources (HR) Review should be included.
- 3.7 In terms of their Value for Money conclusion, as mentioned above, the Auditors have issued an unqualified opinion. However this has to be seen in context. This opinion is wholly related to performance during 2006/7 and does not influence the eventual Value for Money or Use of Resources conclusions reached as part of the Comprehensive Performance Assessment (CPA) process later in 2007/8.
- 3.8 Although the report of 2005/6 was also a positive audit report, this report shows that improvements continue to be made and the fact that the auditors make only two recommendations reinforces that position. Members will no doubt be pleased with this outcome.

4. FINANCIAL IMPLICATIONS

There are some financial implications within the report relating to fees where the Auditors set out their charges for 2006/7. These fees had already been notified to the Authority and appropriate budget provision has been made.

5. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

6. EQUALITY IMPACT ASSESSMENT

There is no impact on equality issues arising from this report.

7. RISK MANAGEMENT IMPLICATIONS

The External Auditors provide a completely independent opinion on the financial management of the Authority and the accuracy and appropriateness of accounting information. Subject always to the limitations of there opinion set out in the status section on page 2 of the report, external audit provides a valuable service to the Authority in giving such assurances.

8. RECOMMENDATIONS

That the External Auditors report is noted and passed to the Fire and Rescue Authority for information.

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

None.

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