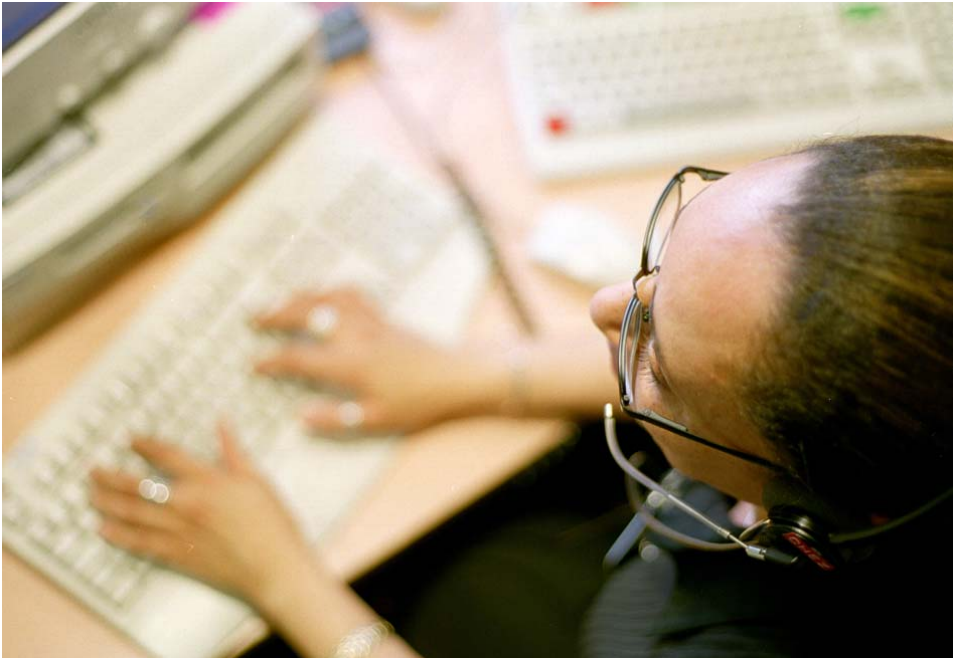


# Charnwood Borough Council 2004/05 Annual audit and inspection letter



The Members  
Charnwood Borough Council  
Southfields  
Southfield Road  
Loughborough  
LE11 2TU

March 2006

Ladies and Gentlemen,

**Joint Audit and Inspection Letter 2004/05**

We are pleased to present our Joint Audit and Inspection Letter for 2004/05. The purpose of this letter is to summarise the issues arising from both the annual external audit and from the inspection work carried out by the Audit Commission during the year. This includes the results of the Audit Commission's Comprehensive Performance Assessment for 2005, including an assessment of the Council's 'Direction of Travel' and the 'Use of Resources' judgements.

We hope that the information contained in this report provides a useful source of reference for Members. The Cabinet will be considering this letter on 27 April 2006.

Yours faithfully

PricewaterhouseCoopers LLP

Encs



Nigel Toms

Audit Commission Relationship Manager

# Contents

<b>Section</b>	<b>Page</b>
Executive summary .....	4
Council performance .....	6
Accounts and governance .....	11
Audit plans and fees update for 2004/05.....	15
Appendix A: Audit reports issued in relation to the 2004/05 financial year .....	16

***Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies***

*We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code), which was issued in March 2002. This is supported by the Statement of Responsibilities of Auditors and Audited Bodies, which was issued in April 2000. Both documents are available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas. Our reports and audit letters are prepared in the context of this statement and in accordance with the Code.*

*Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party. A new Code of Audit Practice will be in place for the 2005/06 audit year, together with a new Statement of Responsibilities of Auditors and Audited Bodies, both of which were issued in March 2005.*

# Executive summary

## **The purpose of this Letter**

We are required, under the Audit Commission's Code of Audit Practice (the Code), to issue an annual Audit Letter to the Council on completion of our audit, demonstrating that the Code's objectives have been addressed and summarising all issues of significance arising from our work. This letter also includes a summary of the results of the inspection work undertaken during 2004/05 by the Audit Commission in accordance with their responsibilities as detailed in section 10 of the Local Government Act 1999.

The joint reporting of audit and inspection work in this format recognises the steps that the Audit Commission has taken to integrate more closely audit and inspection regimes, whilst recognising and maintaining their separate statutory responsibilities. The Audit Commission has appointed 'relationship managers' for all local authorities to co-ordinate planning and delivery of inspection work alongside the statutory audit.

As well as summarising the results of audit and inspection work undertaken during the year, this report also includes the results of the Audit Commission's Comprehensive Performance Assessment (CPA) for 2005, including the Council's 'Direction of Travel' and 'Use of Resources' judgements.

Our audit work during the year was performed in accordance with the plan that we issued to you in June 2004. We have issued a number of reports

during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate. A list of these reports is included at Appendix A to this letter.

## **Key messages**

This audit letter contains a number of key messages for the Council set out under the Code requirements, summarised as follows.

### ***Council Performance***

The 'Direction of Travel' commentary, following up on the Comprehensive Performance Assessment in 2004 identified that the Council has made progress in some areas, for example in recycling and access to services. However this has not been the case in housing and overall improvement is not as good as other councils. The council is strengthening its capacity to deliver future improvement.

A Use of Resources assessment was undertaken by PwC in November 2005 contributing to the overall CPA rating. This resulted in the Council achieving an overall rating of 2, which the Audit Commission defines as "Adequate".

### ***Accounts and Governance***

Our work in respect of the accounts this year was completed in an efficient and effective manner and we issued an unqualified audit opinion on the accounts.

The Council's finance team should be commended for their efforts in achieving an efficient and timely accounts closure process. There is, however scope for further improvement in the standard of documentary evidence and working papers prepared by Financial Services to ensure an efficient audit of the financial statements.

We are satisfied that the Council has made good progress in implementing the Prudential Framework.

We have been able to place some reliance on work planned and carried out by Internal Audit in 2004/05. We will continue to liaise with Internal Audit to maintain an efficient managed audit process in future years.

There are no issues arising from our work in relation to financial conduct, fraud or the legality of financial transactions that we wish to bring to your attention.

# Council performance

We comment on the following key areas in this section:

- Comprehensive Performance Assessment;
- Direction of Travel;
- Use of Resources;
- Best Value, and;
- Inspection rating

## Comprehensive Performance Assessment (CPA)

The CPA 2005 regime is intended to be challenging, with a more rigorous “Use of Resources” assessment,

undertaken by us in our capacity as appointed auditors in late 2005, contributing to the overall rating.

During April 2006 the Audit Commission will be consulting on proposals for the overall CPA framework for District Councils, including the approach for re-categorisation. This will include proposals for all elements - corporate assessment; direction of travel; use of resources and service information. The publication of the final framework for 2006, along with detailed methodology for underlying elements and a report on the analysis of consultation responses is planned for July.

## “Direction of Travel”

Charnwood Borough Council was assessed as “fair” in its 2004 Comprehensive Performance Assessment (CPA). In response, the Council has set about identifying its priorities which are now focused on the economic environment, cultural opportunities, the environment, and decent homes and neighbourhoods. To support this, the Council’s CPA Outcome Improvement Plan identifies four themes; developing and prioritising plans, improving housing performance, improving service delivery and performance management and making the most of internal capacity. This report reflects the Council’s progress since 2004.

Over the last three years the Council has been improving at a significantly slower rate than other councils. Since 2002/03 45 per cent of comparable indicators have improved and 55 per cent have not improved. 51 per cent of indicators are currently above the national median which compares to 68 per cent in 2003/04 and 59 per cent in 2002/03. Within priority areas, environment is improving but the developments to strengthen housing and capacity are not yet showing improved outcomes in all areas.

Recent performance reflects a modest improvement. Between 2003/04 and 2004/05 52 per cent of indicators improved and 48 per cent did not. However, the number of indicators above the national median has declined from 68 per cent to 51 per cent. The Council’s own un-audited half year report shows for the first six months of 2005/06 show that 53 per cent of indicators have improved and 47 per cent not improved.

In April 2005 the Council introduced the “Charnwood Scorecard” of performance reporting which focuses on its’ priority areas. However there are significant gaps in the data on key projects. Of the 14 performance

indicators collected all but one are improving but 6 are not on target. The Council's report on "Progress Against Projects/Initiatives" shows that in the first half of 2005/06 only 4 are on target/schedule. This indicates that key indicators are not improving sufficiently to meet the Council's own aims. Those off target or behind schedule include developing top quality leisure facilities, ICT access, the staff development "Academy" and initiatives associated with improving value for money.

Recycling has significantly improved. Combined recycling and composting has increased to 24 per cent from 16.5 per cent 2003/04. Un-audited data for the first half of 2005/06 indicates that the Council is now at 37.9 per cent which exceeds its national target.

The Council has improved access to its services although there is scope for further improvement. The Council is able to deliver more services electronically with 69 per cent in 2004/05 against 60 percent in the previous year. Although this is below the national median un-audited data for the first half of 2005/06 indicates this has improved to 71 per cent. Website hits are increasing in all areas. There is now a single point of access or "one stop shop" for both visits to the Council's main office and through the telephone where service hours have been extended. Un-audited data for the first half of 2005/06 indicates that the Council has improved its access to its buildings for people with disabilities to 98 per cent, from 53 percent in 2004/05.

The percentage of non-decent homes has decreased from 44 percent to 39 percent but is still above the national median. Average re-let times have significantly improved in 2004/05 to 50 days from 86 days in the previous year. However, of the 11 comparable indicators 9 are below the national median.

The Council has delivered improvements in other priority services. In 2004 the new Soar Valley Leisure Centre was opened serving the south of the Borough. The Council has also been successful in improving processing times for all planning applications.

The Council has been working hard to improve all aspects of capacity in response to the 2004 CPA inspection. The most significant building blocks include:

- Restructuring of the Performance and Audit Team resulting in the development of a new performance management system. This is providing good quality and timely information to officers and Councillors on both performance indicators and the progress of key plans.
- A Housing Improvement Action Plan which has resulted in the decision to establish an Arms Length Management Organisation for the Council's housing stock and, a Housing Strategy assessed as "fit for purpose" by GOEM.
- A senior management restructure, improved training through the future leaders "Academy" and additional training for Councillors.
- Substantial investment in front and back office ICT infrastructure to deliver the council's e-government agenda.
- Refurbished reception and customer services points at the main offices in Loughborough.
- Development of new strategies/actions plans. At a high level the corporate and community plans have been revisited and at service level these include new strategic plans for climate change, and crime and disorder reduction.

### Use of Resources

The use of resources assessment is a new requirement which focuses on financial management but links to the strategic management of the Council. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit.

For the purposes of the CPA we have assessed the Council's arrangements for use of resources in five areas (described below). The Council performed a self-assessment against the key lines of enquiry for each of the five judgments. We reviewed and challenged the self-assessment and supporting evidence and drew on our cumulative audit knowledge. This resulted in scores which were submitted to the Audit Commission to form part of the overall assessment, which is summarised below:

Category	Score
Financial Reporting	2 out of 4
Financial Management	3 out of 4
Financial Standing	2 out of 4
Internal Control	2 out of 4
Value for Money	2 out of 4
<b>Overall score for Use of Resources</b>	<b>2 out of 4</b>

(Note: 1=lowest, 4=highest)

Under this harder test the Audit Commission's definition for a score of 2 represents an authority meeting the minimum requirements and a score of 3 represents an authority that is consistently above the minimum requirements. Scoring a 4 requires demonstration of embedded exemplary performance and innovation.

We recognise that the Council will be striving to achieve an improved score across all the elements next year and we would encourage officers and members to think about how they can contribute to further improvement. In drawing up any action plan officers should also review the latest use of resources consultation documentation (on the Audit Commission website) which sets out a number of proposed changes for the 2006 process.

Examples of areas where further developments could be made to improve the overall score are set out below. We also recognise that in a number of cases action has already been taken, albeit the changes have yet to be embedded within the Council.

### **Financial Reporting**

Accounts presented for audit should be free of material errors. Clearly, being "error free" is a considerable challenge, if achievable at all. We anticipate that there will be further clarification of this requirement next year.

Comprehensive working papers should be available to support all areas of the Statement of Accounts. Charnwood has traditionally performed well in

this area but we have encountered difficulties around the working papers to support capital accounting in 2004/05.

Consideration could also be given to the publication of an annual report and summary accounts, available in a variety of formats.

### **Financial Management**

With regard to best practice there are a number of areas where further developments could be made:

- Communication of the Medium Term Financial Strategy (MTFS) to stakeholders
- Modelling of balance sheet items in the MTFS;
- The MTFS to include a description of joint plans with partners in financial terms;
- Monitor and demonstrate how financial plans and strategies have contributed to the achievement of corporate objectives;
- Ensure there are no significant departmental under or over spends;
- Develop local performance measures in relation to assets that link asset use to corporate objectives;
- Use performance indicators and benchmarking to describe and evaluate how the asset base contributes to the achievement of corporate and service objectives, and;
- Communicate the results of performance measurement to stakeholders where relevant.

### **Financial Standing**

There is scope to produce better monitoring information to evaluate the effectiveness of recovery actions, associated costs, and the cost of not

recovering debt promptly.

### **Internal Control**

The score of 2 in this area was largely due to weaknesses in addressing the risks associated with partnerships, and an ongoing review of internal control policies that should address issues around the communication of policies. The required developments are:

- Specific identification of the risks in relation to all significant partnerships and assurances about the management of those risks within the risk management process;
- Significant partnerships should be identified and partnership agreements should be in place and subject to regular review.;
- Business-critical systems to be identified and procedure notes for them established;
- Standing orders, SFIs and the scheme of delegation to make specific reference to partnerships;
- Effective communication of the counter-fraud and corruption and whistle-blowing policies;
- Ensure that registers of interests and of gifts/hospitality are effectively maintained.

### **Value for Money**

This section of the Use of Resources assessment measures how well the Council currently achieves value for money and how it manages and improves value for money.

Our assessment identified a number of positive measures that are being implemented to improve value for money including some new key posts to

assist the Council in achieving its priorities.

Areas which have been identified for improvement include:

- Ensuring that officers and members are fully informed when making decisions by examining cost and performance together:
- Further improvement in some key service areas, for example housing:
- More extensive benchmarking:
- Improved management of the capital programme to avoid unnecessary slippage:
- More widespread consultation with the community

### **Best Value**

Under the Local Government Act 1999 we are required to carry out an audit of the Council's Best Value Performance Plan (BVPP). We issued an unqualified opinion on the Council's BVPP (published in June 2004) in December 2004. In the report we made recommendations in respect of the performance indicator data which we are required to examine and report our findings to the Audit Commission.

In our report on the Council's Best Value Performance Plan 2005 we reported that a number of performance indicators for 2003/04 had not been calculated accurately. We made recommendations to strengthen the Council's approach to collecting and calculating this information. However, our work on the 2004/05 performance indicators resulted in five indicators being reserved in the Audit Commission return because data had either not been collected or the estimate given by the Council could not be substantiated. We found a number of other indicators that had been calculated incorrectly and had to be amended.

Our recommendations from last year therefore remain that:

- consideration be given to training key staff on performance indicators, particularly in respect of the methodology and systems for calculation;
- Senior members of staff within each department who have responsibility for performance indicator data should be given appropriate support and guidance to ensure the accuracy of outturn data included in Service Delivery Plans.

We have also completed our audit work on the Council's BVPP for the year ended 31 March 2006 published in June 2005 and we issued an unqualified opinion on the BVPP in December 2005. We did not make any recommendations for improvement in connection with the Council's BVPP.

# Accounts and governance

## Accounts

The purpose of our accounts work was to perform an audit of the final accounts of the Council, in accordance with approved Auditing Standards.

Members approved the Council's annual accounts on 25 July 2005 in accordance with the Accounts and Audit Regulations 2003.

Consistent with prior years we received a full set of draft financial statements well in advance of the commencement of our final audit and would like to take this opportunity to commend Financial Services for their efforts in providing assistance during the course of the audit to aid its completion in a timely and efficient manner.

We are pleased to report that the working papers requested were made available at the start of the audit. The standard of working papers to support underlying transactions incorporated within the accounts were generally of a high standard. There is, however, room for improvement in both the working papers and the understanding of those working papers by the relevant finance officers in respect of fixed assets. This caused delays in the completion of our fixed asset audit work and it is important that the Authority makes improvements in this area to ensure the efficient completion of the audit process in the future.

## Formal communication of relevant audit matters to those charged with governance (SAS 610 Report)

We presented our Statement on Auditing Standards "SAS" 610 report (setting out the findings from our accounts work) to the Performance and Audit Scrutiny Committee in October 2005. There were no matters in that report, or that have arisen subsequently, that we need to bring to your attention in this letter.

We have issued an unqualified audit opinion on the Council's 2004/05 financial statements.

## Future Accounting Considerations

### *Early closing*

The Accounts and Audit Regulations 2003 required local authorities to bring forward accounts approval and publication by one month in 2004/05, so that accounts were presented for approval by 31 July 2005 and published by 31 October 2005. The Council was well prepared for this earlier deadline and we are pleased to report that the Council again successfully met the deadlines for both earlier approval and publication of its 2004/05 accounts.

In 2005/06, the deadlines for approval and publication will come forward to 30 June and 30 September respectively. We will continue to work with the Council to ensure that these deadlines are achieved.

### Group accounts

Many local authorities will be required in 2005/06 to publish group accounts, consolidating the financial transactions and balances of other entities in which it has a substantial interest. During this audit we have reviewed the administrative and technical preparations that the Council has carried out to ensure that arrangements will be in place to produce group accounts in 2005/06.

We are satisfied that the Council does not have any group accounting arrangements and will not be affected by the planned changes.

### Financial standing

In this section we comment upon the Council's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

The Council's Net Operating Expenditure in 2004/05 was £19.4 million, representing an increase of less than 1% from 2003/04 (£19.2 million). This level of expenditure was within budget and at the end of the year the Council reported a General Fund surplus of £0.6 million. With the Authority's 'Sources of Finance' (Council Tax, NNDR, Government grants and Collection Fund surplus) generating income streams totalling £17.1 million this surplus was achieved after making required net appropriations from reserves of £2.9 million.

General Fund reserves of £6.5 million are down by 3% from 2003/04 (£6.7 million) but continue to represent an acceptable financial position for the Council.

### Capital Budget Outturn

Capital outturn in 2004/05 was £13.1m compared to a revised budget of £17.9 million. This slippage in spend on the capital programme of 27% is a significant increase in comparison to 10% slippage in the prior year. More than half of the unspent £4.8 million has been carried forward into 2005/06 but the Council should be mindful of the potential impact of failures to manage capital projects effectively.

### Prudential Framework for Capital Expenditure

From 1 April 2004, the authority has been able to plan its capital expenditure under the new Prudential Framework, which focuses on the Authority's ability to afford the consequences of spending decisions from future years' revenue accounts and allows it to set its own limits on the borrowing needed to achieve an affordable capital strategy.

We have reviewed the steps the Authority took in 2004/05 to implement the Prudential Framework and manage the Authority's spending and borrowing, including the processes for reviewing limits and indicators under the CIPFA Prudential Code and determining the prudence and affordability of any prudential borrowing undertaken.

We are satisfied that the Council has made adequate progress in implementing the Prudential Framework and it is our understanding that there are currently no formal borrowing plans under the Prudential Code.

### Housing Revenue Account

The Council budgeted for a 2004/05 Housing Revenue Account (HRA) surplus of £0.2 million. We considered the 2003/04 level of reserves to be sufficient to meet the Council's policy of maintaining a minimum balance of £110 per dwelling. The Council has reported a small deficit of £0.04 million for the 2004/05 financial year. This has had a negligible effect on the level of HRA reserves as at 31 March 2005 (£0.7 million).

### Pension fund valuation

The funding position of most local government pension schemes nationally is a cause for concern, with deficits being recovered over long periods and only incremental increases being made in contributions.

The results for the 2005 triennial actuarial valuation showed that the current funding level of the Leicestershire County Council scheme (of which Charnwood is a member) is 87%, which is favourable compared to the average funding for similar schemes in England of 71% (source – CIPFA), but a considerable fall on the 2001 valuation which showed a funding level of 100%.

The current funding strategy is to achieve a 100% scheme funding level over the next 20 years. This is consistent with the norm for local government but significantly longer than the 12-14 year maximum recommended for private schemes with a very strong employer covenant. As well as the length of the recovery period, a further issue is that if a rolling period of recovery is used, meeting the 100% funding level is unlikely without significant 'over' performance of the investments.

Establishing the period for recovery is a matter of judgement. However there also needs to be a proper regard for ensuring that:

- The deficit can be recovered over a reasonable period;
- The charge in the accounts for pensions reflects the true costs incurred in the year; and
- Future council tax payers are not unreasonably burdened as compared to the current generation of taxpayers.

Addressing the deficit will have an impact on the rate of employer's contributions. In 2004/05 the employer's contribution rate was 11.4%. The Fund actuary has required employer's contribution rates for the three financial years from 2005/06, which are 12.5%, 13.7% and 14.9% respectively with a further increase to a long term rate of 16.1% recommended by 2009. The Council has considered the impact of increases in employer's contribution rates when setting budgets for the next three years.

The stepped approach meets the objective of holding the rate as constant as possible and is consistent with government advice. It means that the impact of the increase will not be felt quite as promptly as if applied from year 1, but that the impact will be made good by the end of the three year period. In periods of strong investment performance, the Fund will be slightly disadvantaged; in periods of declining performance, there could be an advantage to the Fund.

Over the course of recent valuations, increased contributions have in practice

been insufficient to arrest the increasing deficits in local government, which are affected by demographic trends such as increased longevity and by poor investment performance. The FRS 17 information disclosed within the financial statements will provide an annual indication of the likely direction of the deficit.

### **Building Control account**

The Building (Local Authority Charges) Regulations requires Building Control Authorities (BCA's) in England and Wales to ensure that the income received from their charges fully recovers the cost of carrying out their building control financing over a rolling three year accounting period. Furthermore, DETR circular 10/98 stated "It is accepted that a local authority is unlikely to be able to precisely match charge income with the proper costs. In pursuing the requirements of the regulations to secure that income is not less than the proper costs, some surplus may arise. Taking one year with another, it is expected that local authorities will keep such surpluses to a minimum".

Whilst we would expect authorities to generate some level of surplus because prices are set to minimise the risk that costs will not be recovered, Charnwood do appear to be making consistently substantial surpluses. Over the three year period to the end of March 2005 the Authority has reported a surplus on chargeable work of £401,000 (expenditure incurred £1.2 million), whilst the cumulative surplus over the last 7 years is approximately £770,000.

We recommend that the Council should consider the implications of the accumulating surpluses with regard to its statutory responsibilities for setting charges that are projected to cover costs.

### **Systems of internal financial control**

#### **Statement of internal control**

The Accounts and Audit Regulations 2003 included a requirement that the statement of accounts prepared by an authority in England should contain a statement on internal control (SIC). These statements refer to much wider systems of control than purely financial systems and require the Council to have in place such systems of control. Authorities are required to conduct annual reviews of the effectiveness of the system of internal control, which

will provide the findings to support the SIC. The SIC included within the Council's 2004/05 statement of accounts meets the requirements of the Regulations and this is consistent with our knowledge of the Council.

### Internal audit

In accordance with the 'managed audit' approach we worked closely during the year with internal audit to ensure that between us we achieved appropriate coverage of the Council's key financial systems.

Our interim audit encompassed a review of internal audit files and reports in order to determine the level of reliance to be based upon their work.

In our 2003/04 annual audit letter we reported that Internal Audit had not reviewed all of the Council's key systems during the year or monitored performance against its annual audit plan. The Council responded with the appointment of an interim audit and performance manager.

We are pleased to report that no such weaknesses were noted in our 2004/05 audit work and we were able to place some reliance on the work planned and carried out by internal audit.

Going forward, the Council must ensure that it continues to have in place effective internal audit arrangements and that it achieves full compliance with the CIPFA Code of Practice for internal audit. We will work closely with Internal Audit to assist in this process liaising regularly to ensure the managed audit approach is developed to reflect any changes in our audit methodology.

### Review of systems and controls

We have already issued both an IT Audit and an Interim Audit issues report detailing the results of our review of systems of internal financial control at the Council, as shown at Appendix A. This also included the results of our review of computer controls. Our reports highlighted some issues that impacted on the degree of comfort we were able to share with the Authority over the controls exercised by management.

We were, however, able to obtain other audit evidence during our final audit fieldwork to increase our degree of comfort to a required level to be able to provide an unqualified opinion on the Council's financial statements.

The significant issues raised in these reports were as follows:

- Monthly aged debtors listing is not reviewed and disputed balances are not monitored or chased on a timely basis;
- Lack of robust controls over DLO budget setting, monitoring and reporting procedures;
- Incomplete documentary evidence to support the preparation and independent review of various control reconciliations between key financial systems;

We have agreed an action plan with officers and progress against agreed the actions and management responses will be reviewed during our 2005/06 audit.

### Standards of financial conduct and the prevention and detection of fraud and corruption

We are pleased to report that there were no significant or fundamental issues arising from our audit work in relation to financial conduct and the prevention and detection of fraud and corruption that we wish to bring to your attention. We did, however, recommend in our 2004/05 Interim Audit Report that risk management is improved through an update of the Authority's Anti-fraud Policy and the monitoring of Personnel Indicators in high risk areas.

### The legality of financial transactions

We are pleased to report that there were no issues arising from our audit work in relation to the legality of financial transactions that we wish to bring to your attention.

# Audit plans and fees update for 2004/05

## **Audit Plan 2004/05**

We issued our Audit Plan for 2004/05 and presented it to the Audit and Risk Management Scrutiny Committee in June 2004.

We have performed appropriate reporting procedures for each of the risks identified in our Audit Plan of 2004/05. We use this Audit Letter to comment only on those areas where we believe we need to communicate these with those charged with governance.

## **Audit Plan 2005/06**

We have issued our Audit Plan for 2005/06 and we presented it to Performance and Audit Scrutiny Committee in October 2005. Our Audit Plan is reviewed regularly to ensure that it remains appropriate for the whole of the financial year.

## **Fees update for 2004/05**

We reported our fee proposals as part of the Audit Plan for 2004/05 and these fee proposals covered the audit year 2004/05.

We are pleased to advise there has been no change to the agreed fee as outlined in our 2004/05 audit service plan.

# Appendix A: Audit reports issued in relation to the 2004/05 financial year

- Interim Audit Issues report
- IT Audit issues report
- SAS610 report
- Audit opinion on 2004/05 financial statements

