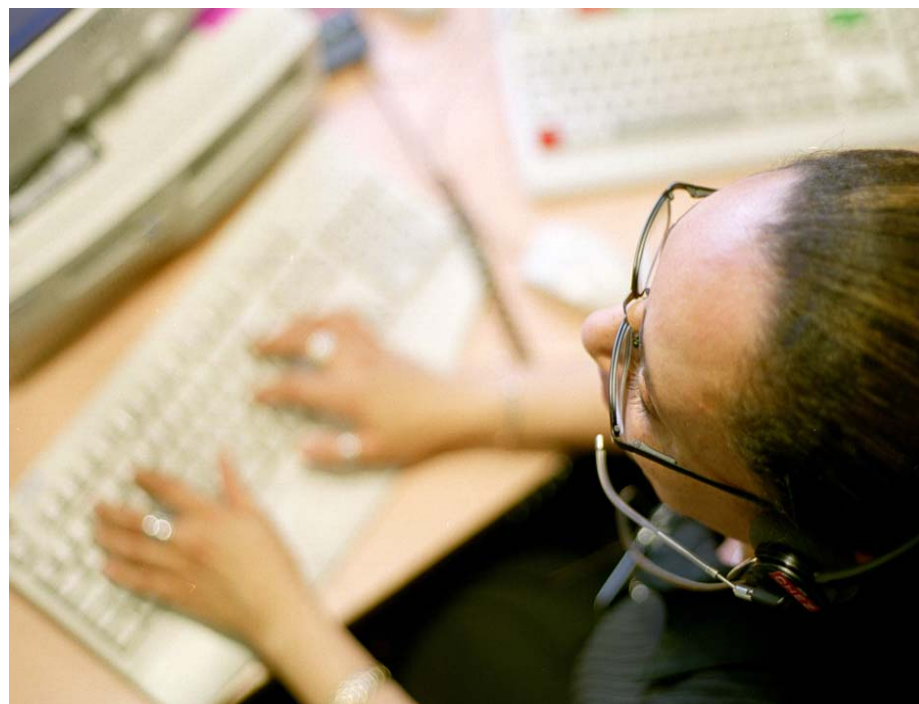


# Derby City Council

## 2004/05 Joint Audit and Inspection Letter



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January 2006

Ladies and Gentlemen,

**Annual 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 Letter will be presented to the Council meeting on 25<sup>th</sup> January and the Audit and Accounts Committee will consider the letter at their next meeting on 6 April 2006.

Yours faithfully

PricewaterhouseCoopers LLP

Audit Commission Relationship Manager

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## **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 May 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 from the Letter

We have set out below what we consider to be the most important issues arising during the course of our audit and inspection work:

- The Comprehensive Performance Assessment (CPA) judgements this year have been made using the revised methodology. CPA is now a more stringent test with more emphasis on outcomes for local people and value for money. A new dimension has also been added, a Direction of Travel judgement that measures how well the Council is improving.
- Under the new framework the Council is assessed as 'improving well' and it has achieved the highest '4 star' overall CPA category.
- The Council has a good track record of continuous improvement with marked improvement in some key service areas such as adult social care and waste recycling. It has made a strong contribution to wider community outcomes and delivering shared priorities and also to the urban regeneration of the city centre. The Council is taking further steps to improve access to services through its customer service strategy.
- Improvement outcomes have not been at the expected levels in some service areas such as planning and elements of education. The Council

has however achieved many of its targets and trends are largely positive. Strong financial management underpins a commitment to low council tax. Value for money is generally good with an appropriate emphasis on future efficiency gains.

- The Council has a robust and inclusive approach to developing plans for the future which are based on consultation and partnership working. There is a measured and sustainable approach to delivering improvement which strengthens the capacity to implement future plans. It is well placed to continue improving services and maintain its positive direction of travel.
- The Use of Resources assessment was undertaken for the first time in 2005 and formed part of the overall CPA assessment referred to above. The Council achieved an overall score of 3 out of 4 and is to be congratulated on 'performing well' in four of the categories and 'performing strongly' in relation to financial standing
- We issued an unqualified opinion on the Council's 2004/05 best value performance plan. Work we have completed on the 2005/06 plan has demonstrated that the systems in place for collecting and reporting performance indicators are robust.
- We are pleased to report that effective performance management processes are now embedded corporately after further improvements were made during the year. Officers demonstrate an understanding of both the need for effective performance management and of their role within the Council's corporate processes.
- We were able to complete our work in respect of the Council's 2004/05 accounts in an efficient and timely manner and we have issued an unqualified audit opinion. The Council's finance team should be commended for their efforts in achieving an efficient and timely accounts closure process and for the assistance provided during the audit process. The challenge remains to bring forward the timetable by a further month in 2005/06.

- In 2004/05, the Council managed its expenditure within budget. Looking forward, the setting and managing of budgets is becoming increasingly challenging where costs pressures in certain service areas are expected to increase to meet both operational demands and non operational commitments such as pension liabilities for the local government pension scheme. It will be increasingly difficult for the Council to maintain a low rate of council tax increase.
- The Council's overall level of earmarked and general reserves have increased year on year representing a net increase in available resources from £56.8 million as at 31 March 2004, to £67.1 million as at 31 March 2005. Most of this increase is funding set aside to finance capital expenditure and an increased Housing Revenue Account balance.
- We have concluded that the Council's level of general reserves (£5.63 million) is adequate in the context of the Council's overall expenditure and that the Council's overall financial standing is sound.
- We have not reported any significant issues in relation to the Council's systems of internal financial control, arrangements to prevent and detect fraud and corruption, or in relation to the legality of financial transactions.

# Council Performance

We comment on the following key areas in this section:

- Comprehensive Performance Assessment
- Use of Resources Assessment
- Best Value
- Targeted Audit and Inspection work

## Comprehensive Performance Assessment (CPA)

The Audit Commission's CPA judgements this year have been made using the revised methodology: CPA - the harder test. As the title implies CPA is now a more stringent test with more emphasis on outcomes for local people and value for money. The Audit Commission have also added a new dimension, a Direction of Travel judgement that measures how well the Council is improving.

Under the new framework, the Audit Commission has assessed that the Council is 'improving well' and it has achieved the highest category 4 star overall CPA category. Details of the Council's recently published CPA scorecard are set out below.

## CPA Scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
<b>Current performance</b>	
Benefits	3 out of 4
Children and young people	3 out of 4
Culture	3 out of 4
Environment	4 out of 4
Housing	3 out of 4
Social care (adults)	3 out of 4
Use of resources	3 out of 4
<b>Corporate assessment/capacity to improve (not reassessed in 2005)</b>	3 out of 4

(Note: 1=lowest, 4= highest)



The Council has a good track record of continuous improvement with marked improvement in some key service areas such as adult social care and waste recycling. It has made a strong contribution to wider community outcomes and delivering shared priorities and also to the urban regeneration of the city centre. The Council is taking further steps to improve access to services through its customer service strategy.

Improvement outcomes have not been at the expected levels in some service areas such as planning and elements of education. The Council has however achieved many of its targets and trends are largely positive. Strong financial management underpins a commitment to low council tax. Value for money is generally good with an appropriate emphasis on future efficiency gains.

The Council has a robust and inclusive approach to developing plans for the future which are based on consultation and partnership working. There is a measured and sustainable approach to delivering improvement which strengthens the capacity to implement future plans. It is well placed to continue improving services and maintain its positive direction of travel.

### **Direction of Travel**

Further commentary on the Council's 'Direction of Travel' assessment is set out in more detail below.

#### **1. What evidence is there of the Council improving outcomes?**

##### **Improvement against priorities**

Adult Social Care services are improving. The Council, already a good performer on adult services indicators, has continued to improve performance in key indicators such as promoting independence and maintaining people in their own homes. The Council continues to deliver national and local priorities in this area.

Improvements in children's services have been variable. Areas of improved performance, such as improved efficiency with which the Council carries out many aspects of its child protection and assessment processes, are tempered by some weaknesses. Overall the performance of social care for children remains good. In education results have been variable; the rate of improvement at Key Stage 3 is good and there has been rapid and sustained

improvement at Key Stage 4. In contrast there have been declining rates of improvement at Key Stage 1 and inconsistent improvement and low attainment at Key Stage 2.

The Council has sharply increased the levels of household waste recycled. An extension of the twin bin scheme has increased recycling from 15% to well above 22%. In 2005/06, the Council is currently achieving 29.5%. Recycling is predicted to improve even further with the commitment to roll-out of additional twin bin rounds. The quantity of household waste being collected continues to reduce. Overall there is a positive and increasing trend in waste reduction, and satisfaction with waste disposal has also improved.

Performance in relation to improving the timescales required to process planning applications is relatively poor. Performance of processing major and minor applications is weak in relation to some other councils. Investment has been made to bring about improvement and the service is now on track to meet all its targets for 2005-06.

##### **Contribution to community outcomes**

The Council takes a leading role in developing and delivering broader community outcomes. Derby City Council has been a pilot authority for implementing a Local Area Agreement which is intended to strengthen community engagement, giving a more flexible response to addressing service needs and to improve partnership working.

The Derby Cityscape regeneration partnership has a number of projects currently underway to significantly develop the city centre. Derby Homes is scheduled to deliver the Government's target of all properties meeting the Decent Homes Standard significantly in advance of the 2010 target.

Levels of satisfaction with provision of cultural facilities are high. Public satisfaction with sports and leisure, arts venues, and museums and galleries compares favourably with other councils.

The Council continues to be committed to strong partnership working. The Community Safety Partnership and community policing initiatives are positively reflected by reductions in domestic burglaries, robberies and vehicle crime. Although fear of crime remains relatively high.

## Improving access to services

The Council has taken further steps to improve access to services. Progress is being made in developing plans for a customer contact centre and a Customer Relationship Management system. Additional methods of providing and accessing services at a neighbourhood level are being developed, for example through resident partnerships with service providers in areas of identified high need.

Some progress has been made in increasing citizen focus. Consultation processes have been reviewed and extended. The use of Area Panels is to be further supported by the development of area and neighbourhood profiles to more effectively identify need at a local level. Customer Service standards are yet to be fully embedded corporately.

### 2. How much progress is being made to implement improvement plans to sustain future improvement?

The Council has developed a range of robust and realistic future plans. It has clearly communicated its priorities for the future and how it will deliver them. Derby's Corporate Plan 2005-08 sets out clear priorities, developed through widespread consultation and establishes SMART targets for assessing outcomes. The Best Value Performance Plan 2005-06 provides comprehensive analysis of past performance against targets, establishes future targets and how success will be measured.

The Council has established a wide-ranging and robust performance management framework to drive and monitor its progress in delivering improvement. The Performance Eye system has been rolled out and embedded corporately. Performance indicators (PI's) continue to be defined and refined; an additional 30 PI's have been added to improve monitoring of Corporate Plan priorities.

Substantial steps have been taken to strengthen capacity to deliver future plans. For example, Private Finance Initiative projects have been developed for improved street lighting, the building of five new schools and an innovative scheme to provide social housing. The Council is also continuing to build capacity in areas where the need for improvement and additional resources has been identified. A new post of Director of Children's Services has been created and senior management structures across the Council are being refined to match service delivery initiatives.

The Council's accommodation options appraisals have not yet led to the adoption of an Accommodation Strategy which is both affordable and beneficial in regeneration terms. Further proposals are being developed to deliver such a strategy. Accommodation has now been an on-going issue for a number of years and planned improvements to service access will not be possible until an Accommodation Strategy has been adopted.

The Council is taking notable steps in monitoring delivery of its improvement plans. A performance monitoring framework is embedded corporately with quarterly reports to Cabinet established. The Council's recent performance management report shows that 88% of PI's are currently forecast to meet or exceed targets.

### Use of Resources Assessment

The use of resources assessment is a new assessment which will be carried out annually, as part of each council's external audit and was undertaken for the first time in September 2005. This assessment was submitted to the Audit Commission and formed part of their overall CPA assessment referred to above.

The assessment of use of resources covers five areas. The Council undertook a self-assessment against the use of resources criteria and we reviewed and challenged the self-assessment and supporting evidence. This process resulted in a score for each area and was submitted to the Audit Commission for moderation. Details of the result of the assessment for the Council are set out in the table below.

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

1= inadequate; 2= adequate; 3= performing well; 4= performing strongly.



Under the Audit Commission's definition a score of 3 represents a council which is consistently above the minimum requirements and performing well, and a score of 4, a council well above minimum requirements and performing strongly. Derby is to be congratulated on scoring above the minimum requirements across all 5 areas. The assessment found the Council to be performing strongly against the criteria for 'financial standing'.

Scoring a 4 requires demonstration of embedded exemplary performance and innovation. Only 3 councils across the country received an overall score of 4.

The results of the assessment were discussed with the Director of Finance in November 2005. Areas where further development would be necessary to improve the overall score that were discussed, include:

#### *Financial reporting*

- Improving the consistency in the standard of working papers produced for audit.
- Considering the production and publication of an annual report which provides users with a comprehensive review of the Council's operations and performance.

#### *Financial management*

- Further develop financial training for members with specific responsibility for budget monitoring.
- Develop more detailed plans to reduce the level of backlog maintenance across all departments.
- Improve the coordination of asset management information and its integration with relevant financial information.

#### *Internal control*

- Ensure that service level risk management processes are consistent across all departments.
- Further development of the assurance framework so that this becomes embedded and links in to the Statement on Internal Control, thus improving corporate ownership of the SIC process.

- Ensure that members of the recently established Audit and Accounts Committee receive appropriate training.

#### *Value for Money*

- Introduction of VFM objectives as part of senior officers' appraisal and development process.
- Improved performance in aspects of the education service including exclusion rates and achievement at Key Stage 1 and 2.
- More consistent use of benchmarking data across all departments and the coordination of this through the Performance Eye management tool.

### **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, and reported on our work in relation to the 2004/05 BVPP (published in June 2004) as part of last year's Audit Letter.

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 on 19 September 2005. We did not make any recommendations for improvement in connection with the Council's BVPP.

Our work on the Council's BVPP includes audit testing of the Council's best value performance indicators (BVPIs). We are pleased to report that the outcome of this work was positive and we did not report any 'reservations' on the BVPIs in the annual submission of the BVPI data to the Audit Commission. Some relatively minor issues were reported to the Head of Performance Management and action is in hand to address these.

### **Targeted performance audit and inspection work**

#### **Performance management framework**

In 2003/04 we conducted a review to consider how well the Council's performance management strategy was addressing key performance management issues within the Council. This review identified a number of

areas where improvements could be made in order to successfully implement the strategy. In June 2004, the Council introduced a new performance management system, Performance Eye. As part of our 2004/05 audit we agreed to perform targeted work around the new system to consider how well it was being implemented across the Council.

Overall, our review found that the implementation of the system had progressed steadily and that once fully populated with good quality data, the system will serve to enhance the performance management framework in place at the Council through improved, more consistent performance reporting.

The process of performance reporting and the use of performance management information throughout the Council have become more formalised as a result of the system thus helping to embed a performance focussed culture. We issued a report in May 2005 setting out our detailed findings from this work including a number of minor recommendations.

# Accounts and Governance

We comment on the following key areas in this section:

- Accounts
- Financial standing
- Accounting issues
- Systems of internal financial control
- Standards of financial conduct and the prevention and detection of fraud and corruption
- Legality of transactions

## 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.

We are pleased to report that a complete draft set of accounts supported by the working papers requested were made available at the start of our audit. The standard of working papers to support underlying transactions incorporated within the accounts were, on the whole, of a good standard, however, we did note some inconsistency in the standard of working papers provided. We have provided finance officers with details of where

improvements should be made in the presentation and content of working papers produced for audit purposes. The Council's finance officers should be commended for their efforts in providing good working papers and prompt assistance during the course of our audit. This assistance aided the completion of our audit in a timely and efficient manner.

We presented our "SAS 610 report" (setting out the findings from our accounts work) to the Audit and Accounts Committee on 29<sup>th</sup> September 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.

## Early closing

The Accounts and Audit Regulations 2003 require local authorities to bring forward accounts approval and publication by one month in 2004/05, so that accounts are presented for approval by 31<sup>st</sup> July 2005 and published by 31<sup>st</sup> 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<sup>th</sup> June and 30<sup>th</sup> September respectively. We will continue to work with the Council to ensure that these deadlines are achieved.

### Group accounts

The local authority accounting Statement of Recommended Practice (SORP) requires local authorities to publish group accounts from 2005/06 onwards, where there is a significant financial interest in another organisation, for example a subsidiary company. The Council has concluded that it will be required to publish group accounts in 2005/06, consolidating the financial transactions and balances of other entities in which it has a substantial interest such as Derby Homes.

As part of the audit of the 2004/05 accounts, we have discussed the administrative and technical preparations that the Council has made to ensure that arrangements will be in place to produce group accounts in 2005/06. We are pleased to report that there were no significant issues arising from this process.

### Pension fund valuation

The Council has received confirmation from the Derbyshire Superannuation Fund administrators of employer's contribution rates for the three financial years from 2005/06, requiring increases of 0.6% over 2004/05, largely as a result of the need to recover the deficit on the Fund.

The Council has managed the impact of this increase within the budget setting process.

### 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.

For 2004/05, the Council's net operating expenditure was £264 million, an increase from £256 million in 2003/04. After adjusting for changes in depreciation and pensions accounting adjustments the net increase in service costs was £8.1 million or 3.2%. This level of expenditure was within budget and at the end of the year the Council reported a surplus of £0.2 million, after making a net contribution of £2.3million to earmarked reserves.

Overall, the Council managed its expenditure within budget. Overspends occurred in Education (£0.6m) and Social Services (£0.05m) although these were offset by a number of corporate under spends during the year. We are pleased to note that significant overspends in Social Services reported in prior years have been addressed following a detailed review of this budget.

The Council's Housing Revenue Account (HRA) made a surplus of £4.9 million for the year, increasing the level of HRA reserves from £1.4 million as at 31 March 2004 to £6.26 million as at 31 March 2005. This is in line with the HRA Business Plan and three year budget.

The Council's overall level of earmarked and general reserves have increased year on year representing a net increase in available resources from £57 million as at 31 March 2004, to £67.2 million as at 31 March 2005. Most of this increase is made up of additional funds set aside to help support the Council's capital programme and the increased Housing Revenue Account surplus generated during the year.

31 March 2004	Item	31 March 2005
£ million		£ million
8.4	Useable capital receipts reserve	12.1
17.7	Earmarked capital reserves	18.1
5.5	General revenue reserve	5.63
5.9	Schools' balances	4.9
1.4	Housing revenue reserves	6.26
18.1	Other earmarked revenue reserves	20.2
<b>57</b>	<b>Total reserves</b>	<b>67.2</b>

It is important that the Council maintains a sufficient level of reserves to meet both known current and future liabilities and also future operational cost pressures. Based on the Council's net expenditure for the year, we have concluded that the level of general reserves is adequate for this purpose.

Looking forward, the setting and managing of budgets is becoming increasingly challenging where costs pressures in certain service areas are expected to increase to meet both operational demands and non operational commitments such as pension liabilities for the local government pension scheme.

With the Government continuing to seeking to minimise future council tax increases, the Council will need to ensure that robust plans are in place to minimise the impact of any potential future overspends. Planned increases in the level of council tax levied by the Council, based on the 2005/06 and 2006/07 budgets, are well within the Governments limits. However, significant savings will need to be identified if council tax increases are to be kept within 5% beyond 2006/07.

### **PFI and LIFT schemes**

The Council has four operational PFI schemes with a further two currently in the process of being procured. In addition, the Council also entered into a LIFT scheme with local NHS bodies during 2004/05. In our capacity as external auditors we are required to review the accounting treatment of such schemes to ensure that it is appropriate and in accordance with relevant financial reporting standards.

During the year we were required to review the Council's proposed accounting treatment of the South Derbyshire NHS LIFT scheme and the Derbyshire Schools PFI. In both cases we considered the proposed treatment to be appropriate and in line with financial reporting standards.

### **Prudential Framework for Capital Expenditure**

From 1 April 2004, the Council has been able to plan its capital expenditure under the new Prudential Framework, which focuses on the Council'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 Council took in 2004/05 to implement the Prudential Framework and manage the Council's spending and borrowing in

the first year of operation, 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 appropriate measures have been taken to ensure compliance with the Prudential Code and that action has been taken to address the recommendations included in our 2003/04 Audit Letter.

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

We issued a report to the Director of Finance in June 2005, setting out the results of our review of systems of internal financial control at the Council. This also included the results of our review of IT related controls. Overall we concluded that the operation of the Council's systems was sufficient to support our planned audit approach.

The most significant issue that we raised was that key reconciliations produced throughout the year were not always produced or reviewed on a timely basis.

We have agreed an action plan with officers to address this and other minor issues identified. We will monitor progress against this plan during the next audit year.

### **Statement on internal control**

The Accounts and Audit Regulations 2003 includes a requirement that the statement of accounts prepared by a local 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. Local 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 Council has included a SIC in the required format in the 2004/05 financial statements. We have reviewed the arrangements the Council has put in place to conduct its annual review of the system of internal control and discussed this with the Director of Finance. We are satisfied that the

Council's SIC is not inconsistent with our knowledge of the Council.

### **Internal audit**

As part of our audit, we have reviewed work undertaken by the Council's internal audit service on financial systems during 2004/05. Each year, we seek to place reliance on internal audit work, avoid duplication of effort and maximise the benefit of the combined audit resource. This approach is central to the Audit Commission's 'Managed Audit' methodology.

Based on the assignments reviewed we can confirm that the majority of audits were executed in a manner that enabled us to place the planned level of reliance on the work of Internal Audit. However, we have raised an issue in our interim audit report concerning the timeliness of reviews being undertaken by internal audit in accordance with their plan. We have agreed a protocol for 2005/06 onwards to ensure that our reliance on relevant systems work is maximised.

### **Grant claims certification**

As the appointed auditor to the Council, we are required to certify a number of the Council's grant claims on behalf of the Audit Commission. This certification work does not form part of our annual audit and is subject to separate fee arrangements.

In accordance with its policy of Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims in 2004/05. Going forward the number of claims requiring certification is likely to continue to fall, although this will depend on the adequacy of the Council's control environment.

We are pleased to report that the Council's arrangements for managing and quality assuring grant claims submitted for audit have improved further during the year.

### **Standards of financial conduct and the prevention and detection of fraud and corruption and the legality of financial transactions**

We are pleased to report that there are no issues arising from our audit work in relation to financial conduct, fraud or 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 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 Audit and Accounts Committee on 8<sup>th</sup> December 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. These fee proposals covered the audit year 2004/05. Our actual fees for the audit were in line with our proposals.

Our fees charged were therefore:

Audit Component	2004/05 Planned Fee £	2004/05 Actual Fee £
Accounts	87,500	87,500
Financial aspects of corporate governance	80,000	80,000
Performance	95,000	95,000
Total	262,500	262,500

# Appendix A: Audit and inspection reports issued in relation to the 2004/05 audit

- BVPP opinion and report (December 2004)
- Performance management review (May 2005)
- Interim audit – internal control report (June 2005)
- SAS 610 report (September 2005)
- Audit opinion on 2004/05 financial statements (October 2005)

