

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
date	<b>10 December 2004</b>	agenda item number

### REPORT OF THE TREASURER

### EXTERNAL AUDITORS MANAGEMENT LETTER

#### 1. PURPOSE OF REPORT

The purpose of this report is to update Members regarding the contents of the External Auditors Management Letter and the Service's response to the auditors' recommendations.

#### 2. BACKGROUND

2.1 The External Auditors to the Fire Authority, PriceWaterhouseCoopers, are required under the Audit Commission's code of practice, to issue an annual management letter to the Authority on completion of the annual audit. This management letter is given in full as Appendix A to this report.

2.2 The purpose of this report is to allow PriceWaterhouseCoopers to present their management letter to the Authority and to give Members an opportunity to ask any questions arising from the letter.

2.3 As well as providing an executive summary in Section I, the auditors have divided their letter into two sections reflecting the headings under which they are required to give a view on the performance of the Authority. These are :

II Accounts and Governance

III Performance Management

They also include an update on fees for the 17 month period 1 November 2002 to 31 March 2004.

#### 3. MAIN ISSUES

##### Accounts and Governance

3.1 This section deals with the final accounts of the Authority, financial standing, the systems of internal financial control, standards of financial conduct, and examines the legality of transactions. The Auditors bring a number of matters to the attention of Members, most of which are of a complimentary nature, but some of which require to be addressed. These are discussed in detail in the Auditors letter, but those requiring a response from management are set out below.

- 3.2 In respect of pensions, the Auditors observe that the rate of employers' contribution to the Local Government Pension Scheme is likely to increase significantly following the latest actuarial valuation and that proper provision will need to be made for this within the 2005/6 revenue budget. The actual figures for contribution rates are not yet available from the County Council, but are expected shortly. As these become known they will be included within 2005/6 budget planning.
- 3.3 Members will be aware that the firefighters pension scheme continues to add uncertainty to budget planning and the Auditors point out that there are likely to be increased demands on this budget during 2005/6. The Authority has created a specific pensions reserve which will soften some of this effect and also has adequate levels of balances should this become a more significant problem. Already begun are the more significant aspects of this budget for inclusion within the 2005/6 revenue budget.
- 3.4 The Auditors also note that Members will need to consider the levels of balances and reserves held by the Authority and highlight the challenging nature of the 2005/6 budget process.
- 3.5 In terms of the prudential code, the Auditors acknowledge that the Authority is compliant with the code, but note that at the time of their audit there had been no formal reporting of indicators to Members. Members will recall that the first of the prudential indicator reports was presented to the CFA meeting on 22 October 2004.

#### Performance Management

- 3.6 In this part of the letter, the Auditors comment extensively on the Authority's involvement in the pilot project for Comprehensive Performance Assessment, and make observations about preparedness for the formal assessment which is due to take place in February 2005.
- 3.7 The only recommendation in this section relates to the review of the Authority's IT Strategy, where the auditors comment that some of their recommendations have been implemented, but that the Authority should take steps to monitor the implementation of the remaining recommendations.

#### Fees Update

- 3.8 This section sets out the Auditors' fees for the period 1 November 2002 to 31 March 2004 and compares them with their original estimates. There has been no variance from original estimates.

### **4. SUMMARY**

- 4.1 The Auditors Management Letter for 2003/4 is very positive. The only areas highlighted within this report are those which require some action by management. A more detailed examination of the letter shows that there were many areas where the Auditors are very positive in their view of the Authority.
- 4.2 Members will be aware that this is the last time that PriceWaterhouseCoopers will be carrying out the audit work for the Fire Authority as they have been "rotated" to another Fire Authority for 2004/5.

**5. FINANCIAL IMPLICATIONS**

There are no specific financial implications arising from this report.

**6. PERSONNEL IMPLICATIONS**

There are no specific personnel implications arising from this report.

**7. EQUAL OPPORTUNITIES IMPLICATIONS**

There are no specific equal opportunities implications arising from this report.

**8. RISK MANAGEMENT IMPLICATIONS**

Although the External Auditors' reviews of the Authority are largely of a statutory nature, they nevertheless provide Members with an independent assessment of the performance of the organisation under a number of categories. This in itself can be regarded as contributing significantly to the management of risk (particularly financial risk) within the organisation. The External Auditors work closely in co-operation with Finance staff and Internal Audit staff to provide a measure of internal control over the affairs of the Fire Authority.

**9. RECOMMENDATIONS**

That Members note the contents of the External Auditors Management Letter and the Service's response to the Auditors' recommendations.

**10. BACKGROUND PAPERS FOR INSPECTION**

None.

Alan Sumbly  
**TREASURER TO THE FIRE & RESCUE AUTHORITY**

Government and Public Sector

November 2004

# Nottinghamshire and City of Nottingham Fire & Rescue Authority

## 2003/04 Audit Letter

The Members  
Nottinghamshire and City of Nottingham Fire & Rescue Authority  
Bestwood Lodge  
Arnold  
Nottingham  
NG5 8PY

17 November 2004

Ladies and Gentlemen

**Audit Letter 2003/04**

We are pleased to present our Audit Letter for 2003/04. We hope that the information contained in this report provides a useful source of reference for Members. We will be pleased to answer any questions or discuss matters further at the Combined Fire Authority meeting of 10 December 2004.

As this is our final year as your auditors, we would like to take this opportunity to express our thanks to all those Members and officers at the Authority that we have had dealings with over the years, in particular the Head of Finance and Resources and his staff for their support and assistance throughout our time as auditors. We have enjoyed working with the Authority as your auditors over the years and we are delighted that we will be continuing to work with the Authority on the Performance Management Framework project.

Yours faithfully

PricewaterhouseCoopers LLP

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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 last issued in March 2002. This is supported by the Statement of Responsibilities of Auditors and Audited Bodies, which was last issued in April 2000. Both documents are available from the Chief Fire Officer of the 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.*

# Executive summary

## The purpose of this report

We are required, under the Audit Commission's Code of Audit Practice (the Code), to issue an annual Audit Letter to the Authority on completion of our audit, demonstrating that the Code's objectives have been addressed and summarising all issues of significance arising from our work.

Our Audit Plan set out the risks that we identified as part of our audit planning, together with the targeted work that we planned to perform in order to address these risks. We have issued a number of reports/letters during the audit year, detailing the findings from our work. A list of these documents is included at Appendix A to this Audit Letter.

### Key issues

We have set out below what we consider to be the key issues arising from our audit work. We are pleased to present what we believe is a positive audit letter to the members of Nottinghamshire and City of Nottingham Fire & Rescue Authority.

#### Accounts and Governance

- We were able to complete our accounts audit in an efficient and effective manner. The Authority's finance team should be commended for the high quality of the work they put into the accounts closure process, which contributed to a significant improvement in the final accounts preparation and audit process this year.
- We will be issuing an unqualified audit opinion on the Authority's 2003/04 financial statements.

- In 2003/04 the Authority was required to produce more detailed information than before on future pension liabilities. This information indicates that, in setting the budget for 2005/06 and beyond, significant additional funds will need to be set aside for both employer's contributions to the local government pension scheme, and cash payments to retired officers on the whole-time fire fighters pension scheme. We are satisfied that the new pensions disclosures made in the 2003/04 financial statements are consistent with the requirements of Financial Reporting Standard (FRS) 17, which deals with retirement benefits.
- The Authority is facing some significant financial challenges over the next few years. In particular, setting and managing the 2005/06 budget will be very challenging in an environment of increasing cost pressures (fire service modernisation and increased pension liabilities) and Government imposed constraints on maximum budget levels. One issue that Members will need to consider will be the level of reserves and balances going forward, particularly in the light of the outcome of the base budget review and of other known and potential liabilities.
- Although the Authority has begun to consider its arrangements for the implementation of the Prudential Framework, further work is required to ensure that suitable arrangements are in place to fully implement the new Framework, in particular updating the scheme of delegation to take account of the decisions to be made under the Prudential Framework and developing a formal monitoring and reporting structure, to include regular reporting of the prudential indicators.
- The Statement on Internal Control included in the Authority's 2003/04 financial

- Overall we concluded that the operation of the Authority's systems was sufficient to support our planned audit approach.
- No significant issues arose from our work on the Authority's arrangements with respect to standards of financial conduct, for preventing and detecting fraud and corruption and ensuring the legality of financial transactions.
- We have not received any questions from members of the public relating to this year's financial statements.

### **Performance Management**

- In January 2004 the Authority took part in the Audit Commission's pilot testing of the corporate performance assessment (CPA) methodology to be applied to the Fire Service. The Authority is actively using the results of the pilot assessment and has commissioned the Improvement and Development Agency to carry out a peer review in November 2004 as part of its preparations. The Authority will be subject to the Audit Commission's full CPA process in February 2005. With the introduction of CPA to the Fire Service, the need to demonstrate continuous improvement in all areas of performance will become the subject of even greater focus. The successful delivery of the Authority's Integrated Risk Management Plan will be central to this and will be a significant challenge in the context of future budgetary pressures.
- We have completed our audit work on the Authority's 2004/05 Best Value Performance Plan and we will separately issue our opinion on the plan prior to 31 December 2004.
- During the year we have followed-up the Authority's progress in addressing the recommendations made in our 2002/03 Audit Letter in respect of Best Value. We have concluded that in general the Authority has made good progress towards implementing the recommendations made.
- We also followed-up the Authority's progress in implementing the action plan following our IT Strategy Review. We concluded that although the Authority has made some progress in this regard, there still remain a number of recommendations which have yet to be implemented fully. We recommend that the Authority itself reviews progress against the agreed action plan to ensure that all recommendations and agreed actions are being appropriately addressed.



# Accounts and Governance

## Accounts

The purpose of our accounts work was to perform an audit of the financial accounts of the Authority, in accordance with approved auditing standards. Our audit timetable was moved forward by five weeks this year to help to accommodate the Authority's tighter deadlines for approving the accounts. In order to meet this timetable, we agreed with the Head of Finance and Resources that the finance team would need to provide us with a full draft set of accounts by 7 June 2004. We are pleased to report that this deadline was met, and that we were provided with a full draft set of accounts and a complete set of supporting working papers on the first day of our audit visit.

**We would like to commend the finance team on the timeliness and quality of the working papers provided, which showed a significant improvement on the prior year and contributed to a more efficient and effective audit, and for the assistance and co-operation shown to us during our audit process.**

We presented our "SAS 610 Report" (setting out the findings of our accounts audit) to the Combined Fire Authority (CFA) on 22 October 2004. We did not identify any misstatements during our audit of the Authority's financial statements that have not been adjusted by management. There were no other matters included in that report, or that have arisen subsequently, that we need to bring to your attention in this letter.

**We will be issuing an unqualified audit opinion on the Authority's 2003/04 financial statements.**

## Financial Reporting Standard (FRS) 17: Retirement Benefits

2003/04 was the first full year of implementation of FRS17. The FRS is concerned with identifying the real underlying financial position of an authority with regard to its participation in pension schemes.

Preparation of the disclosures has required the Authority to submit data to Mercer Human Resource Consulting Limited (an independent firm of actuaries) for the

calculation of liabilities in relation to the whole-time fire fighters pension scheme, and to commission expert advice from actuaries, via Nottinghamshire County Council, for staff on the local government pension scheme. This data has been used to present more detailed information about the Authority's longer-term financial position than has been the case previously.

**Based on our audit work, we are satisfied that the new pensions disclosures made in the 2003/04 financial statements are consistent with FRS17.**

**The availability of information as required under FRS17 has provided the Authority with advance information about the likely liabilities in relation to the underlying commitments that the Authority has in the long-run to pay retirement benefits:**

	Estimated net liability	
	31 March 2003	31 March 2004
Local government scheme	£2.0 million	£1.7 million
Whole-time fire fighters pension scheme	£169.9 million	£185.5 million
<b>Total</b>	<b>£171.9 million</b>	<b>£187.2 million</b>

The local government pension scheme (for civilian staff) is administered by Nottinghamshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with invested assets. As at 31 March 2004, this scheme was in deficit by 1.7 million.

The next full valuation of the local government scheme is taking place during 2004/05. Recent trends in the stock market suggest that the valuation may confirm a worsening position in the fund that would further increase this deficit. **Members should be aware, therefore, that the Authority is likely to require an increase in contribution rates from the 2005/06 financial year.**

The whole-time fire fighters pension scheme is an unfunded scheme, meaning that there are no investments built up to meet the pension liabilities, and cash has to be generated to meet actual pension costs as they fall due.

The Authority is vulnerable to an increase in the number of officers retiring in 2004/05, depending on the outcome of the pay negotiations, and the consequent impact on staff pension and lump sum payments. **This will require the Authority to identify significant additional revenue contributions in future budget setting to meet the cost of these liabilities.** In this regard the Authority set up an earmarked pension reserve in 2003/04 of £727,000 to help meet future fire pension liabilities following early retirement decisions. Although the value of this reserve is based on best estimations, there is a risk that the value of the reserve will not cover the potential revenue liability arising. Members will need to monitor the estimated pension liability and review the adequacy of the pension reserve in the future.

To bring pension arrangements in line with other public service pension schemes, the Office of the Deputy Prime Minister (ODPM) has recently published proposed options for new pension arrangements for fire fighters.

The proposals aim to address the high cost of the current scheme and reflect changes in the relevant tax and regulatory framework. When such changes are approved, the Authority will need to evaluate the impact of the new regulations on its overall pension liability.

### Financial standing

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

For 2003/04, the Authority approved a net revenue budget of £34.753m, representing an increase of 7% on the previous year. At the end of the year, the Authority reported a deficit of £252,000 against the budget, including a net contribution of £1.027 million to earmarked reserves. The Authority's current level of reserves is equivalent to 2.5% of forecast net expenditure for 2004/05.

The values of the Authority's available resources, along with the purposes for which they are intended, are detailed below:

<u>Item</u>	<u>Revenue</u>	<u>Comments</u>
	<u>£'000</u>	
General Reserve	20	See comments below
Earmarked Reserve	300	See comments below
Pension Reserve	727	Future pension liabilities (as discussed earlier)
<b>Total</b>	<b>£1,047</b>	

- General Reserve: these are general funds resulting from cumulative surplus or deficits reported;
- Earmarked Reserve: this reserve has been created to carry forward a protective clothing budget unspent due to delays in respect of the integrated clothing project.

From 1 April 2004, the Authority became a precepting authority, and as part of this process it was required to levy a council tax for the first time. The 2004/05 budget approved in February 2004 of £39.186m represented an increase on the prior year budget of 13%. The Authority was subsequently "nominated" by the OPDM for "capping". Although it appealed against this decision, the appeal was rejected and consequently any future council tax precepts will be measured against a "notional budget" set by the OPDM.

**Looking forward, the setting and managing of budgets will become an increasingly challenging process** in an environment where:

- **cost pressures will continue to increase**, to meet both operational demands and non-operational commitments, particularly pension liabilities for both the fire and local government pension schemes and cost pressures associated with the modernisation agenda; and
- **the ODPM has ‘nominated’ the Authority**, thereby setting a proposed “notional budget” of £38.981m for 2005/06.

### **Budgetary control**

During our interim audit we raised concerns with regard to the Authority’s current budgetary control processes, in particular problems associated with management reporting within the new general ledger. We are pleased to note that the Authority has commenced a base budget review to address weaknesses associated with the current budgetary control processes, including resolving anomalies that exist within the current budgets and general improvements to budget setting, forecasting and profiling.

Members should be informed of issues arising from the base budget review and engaged in decisions around identifying economies and efficiencies to support future cost pressures and balancing operational demands with financial constraints. **Members will need to consider carefully the level of reserves and balances going forward, in the light of the outcome of the base budget review and of known and potential liabilities.**

### **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 reviewed the steps the Authority took in 2003/04 to prepare for the implementation of the Prudential Framework, including the process for setting limits and indicators under the CIPFA Prudential Code. Although the Authority has begun to consider its arrangements, the Treasurer recognises that **further work is required to ensure that the Authority has in place suitable arrangements to fully implement the Prudential Framework, in particular updating the scheme of delegation to take account of the decisions to be made under the Prudential Framework and developing a formal monitoring and reporting structure, to include regular reporting of the prudential indicators.**

### **Statement on 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) from 2003/04. These statements refer to much wider systems of control than purely financial systems and require the Authority 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. **We concluded that the SIC included in the Authority’s 2003/04 statement of accounts met the requirements of the Regulations.**

### **Internal audit**

As part of the Managed Audit approach we seek to rely on detailed work performed by internal audit with regard to testing the existence and operation of internal controls operating within key financial systems. **We have been able to place some reliance on work planned and carried out by internal audit in 2003/04, however, through liaison with internal audit, we have made a number of minor recommendations which internal audit has agreed to implement.**

## **Systems of internal financial control**

Our Business Issues Report issued in July 2004 detailed the findings of our review of systems of internal financial control. We agreed an action plan with officers to address the issues raised to enable the Authority's new auditors to monitor progress against this plan during the next audit year. **Overall we concluded that the operation of the Authority's systems was sufficient to support our planned audit approach** and we raised no significant areas of concern.

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

**We are pleased to report that no significant issues arose from our work on the Authority's standards of financial conduct and arrangements for preventing and detecting fraud and corruption.**

## **The legality of financial transactions**

**There are no issues arising from our work in this area that we wish to bring to your attention.**

## **Electors' Questions and Objections**

Section 16 of the Audit Commission Act 1998 provides local electors with the opportunity each year to inspect the accounts of a local authority and subsequently, to put questions and/or objections relating to those accounts to the auditor. Any such representations must be resolved prior to the closure of the audit.

**We have not received any questions from members of the public relating to this year's financial statements.**

# Performance management

## Comprehensive Performance Assessment (CPA)

**In January 2004 the Authority took part in the Audit Commission's pilot testing of the CPA methodology to be applied to the Fire Service.** As a result of this pilot visit the Authority received a report from the Audit Commission summarising the results of its review. This report concluded that on balance the strengths and weaknesses in the Authority's corporate assessment was fairly even. Specific areas of strength were cited in Human Resource policies and the extensive use of risk management within the Authority. Key areas for development were highlighted in respect of governance and management arrangements needed to support delivery of the Authority's vision.

**The Authority's actual CPA assessment is timetabled for February 2005. We have held discussions throughout the year with staff to keep up to date on the Authority's readiness and preparations for the 2005 CPA process. The Authority is actively using the results of the pilot assessment and has commissioned the Improvement and Development Agency to carry out a peer review in November 2004 as part of its preparations.** Auditor involvement to the CPA process will be provided by your new external auditors, the Audit Commission.

**With the introduction of CPA to the Fire Service, the need to demonstrate continuous improvement in all areas of performance will become the subject of even greater focus. The successful delivery of the Authority's Integrated Risk Management Plan will be central to this and will be a significant challenge in the context of future budgetary pressures.**

## Best Value

Under the Local Government Act 1999 we are required to carry out an audit of the Authority's Best Value Performance Plan (BVPP). We reported upon our audit

work in relation to the 2003/04 BVPP, issued in June 2003, as part of our 2002/03 audit letter in December last year.

Whilst technically part of the 2004/05 audit, and hence not our responsibility, we agreed with the Authority and its new auditors, the Audit Commission, that we would undertake the audit of your 2004/05 BVPP, including the review of 2003/04 performance information. The rationale for this was that our cumulative audit knowledge and experience of the Authority would enable us to better undertake this particular task in the transitional period between auditors.

**We have completed our audit work on the Authority's 2004/05 BVPP and we will separately issue our opinion on the plan prior to 31 December 2004.**

**During the year we have followed-up the Authority's progress in addressing the recommendations made in our 2002/03 Audit Letter in respect of Best Value,** in particular with respect to:

- improving the robustness of cascading the Authority's strategic vision and objectives;
- effective use of performance management information; and
- embedding the procurement strategy within the Authority.

**We have concluded that in general the Authority has made good progress towards implementing the recommendations made.** We have noted the following developments in particular.

### *Cascading the Authority's Strategic Vision and Objectives*

Each department and district within the Authority now has a business plan and for each district, their respective business plans are included as an annex to the Safety Services Business Plan. Each business plan contains an action plan, which outlines the proposed targets with timeframes and responsibilities. The Authority has established Review Panels to monitor progress against business plans. The Authority has also introduced a Station Audit Procedure to review the implementation of a wide range of issues at a local level. Action plans will be produced to target areas for improvement.

### *Effective use of performance information*

The Authority has taken a number of steps to ensure that performance information is made available and used to manage performance. These include:

- placing performance information on the Authority's intranet;
- establishing a District Officers Forum that meets regularly to discuss performance issues; and
- establishing a role for the Performance Management Group in addressing areas for improvement through cross-departmental working.

### *Embedding the Procurement Strategy*

The Authority's Procurement Strategy was formally adopted in December 2003.

### **Performance management framework**

The Authority has recognised for some time the need for a more effective performance management framework to be implemented locally. As a consequence of considering how this might be achieved, the Authority became instrumental in the initiation of a project to develop a performance management framework for the British Fire Service. The project is being undertaken in partnership with Cheshire Fire and is being supported by the ODPM/LGA through the Capacity Building Framework. The aim of the project is to develop a performance management framework that is appropriate to the Fire Service, now and in the future. The outcome of the project will be reported in the spring of next year. PricewaterhouseCoopers LLP is delighted to be working with the Authority and the other parties involved on this important initiative.

### **Follow-up of IT Strategy Review**

Last year we undertook a performance review of the Authority's IT Strategy and how the IT department could support the implementation of the Strategy. We made a number of recommendations following this review and the Authority completed an action plan summarising how it planned to address the recommendations made.

**During the year we have followed-up the Authority's progress on implementing the agreed actions contained within the action plan. The Authority has made some progress in implementing the agreed actions, including:**

- preparing a revised IT Strategy; and
- preparing an annual Business Plan.

**However, the Authority has yet to implement fully other recommendations, for example ensuring that it has a formal mechanism for monitoring the successful implementation of the Strategy. We recommend that the Authority itself reviews progress against the agreed action plan to ensure that all recommendations and agreed actions are being appropriately addressed.**

### **Fire Pay Verification**

During the year we carried out, on behalf of the Audit Commission, the fieldwork for the Fire Verification Study phases 1 and 2. The Audit Commission billed the Authority separately for this work and issued its reports in February 2004 and July 2004 respectively.

On the basis of the results of the verification study fieldwork, an assessment of "Some Progress" was made for the Authority. The July 2004 Pay Verification Report concluded that:

- There is clear evidence that the Authority has adopted new working practices supporting the modernisation agenda, in particular redirecting resources to community safety initiatives and improved drive and success with partnership working.
- The Authority is committed to further progressing the modernisation agenda; however progress has been hindered through the lack of national guidance, particularly on Rank to Role and IPDS issues.

- The Authority shows clear intent and drive to progress these areas and is looking at ways to overcome the obstacles currently faced. Improved communication is fundamental to the successful implementation of further modernisation initiatives. Therefore, the Authority must prioritise the adaptation of the Communication Strategy as a matter of urgency.

The Authority completed a detailed action plan, which allocated a responsible officer and timescale for each issue raised within the Pay Verification Report. The Authority's Performance Review Team plans to monitor the implementation of this action plan and report to the Improvement Development Board in due course.



# Fees Update for 2002/04

## Fees update for 2002/04

We reported our original fee proposals as part of our Audit Plan for 2002/04, which we presented to CFA in August 2003. These fee proposals covered the 17 month period from 1 November 2002 until 31 March 2004. We agreed with the CFA that because the plan effectively covered two audit cycles, we would revisit and update the plan during the period. Our updated plan, including revised fee proposals, was presented to the CFA in April 2004. Our actual fees charged were in line with the revised fee proposal discussed and agreed at that time.

	2002/04 Fee charged	2002/04 Revised Fee proposals
Accounts and Governance	54,600	54,600
Performance	30,400	30,400
Total	85,000	85,000



# Appendix A: Audit reports issued in relation to the 2003/04 audit year

- *Business Issues Report, summarising the findings from our interim audit, issued in April 2004.*
- *Audit opinion for 2003/04 financial statements to be issued in November 2004.*
- *2003/04 BVPP opinion issued December 2003.*
- *SAS 610 report, presented to the CFA on 22 October 2004.*
- Letter to the Treasurer setting out a number of internal control issues highlighted during our financial statements audit, issued in October 2004.

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