

Planning Letter 2012/13

REPORT TO OVERVIEW AND SCRUTINY (STEWARDSHIP) COMMITTEE

Babergh District Council

DECEMBER 2012



Proposed audit fees

INTRODUCTION

We are required to report to you our proposed fees and programme of work for the 2012/13 financial year.

The fee is based on the work required under the Audit Commission's *Code of Audit Practice* and our assessment of risk and audit resource required to complete this work, taking into account the strength of your control environment, coverage of internal audit work and previous audit experience.

The audit fee covers:

- audit of the financial statements
- value for money conclusion.

PROPOSED FEES

A summary of the proposed fee, and how it compares to the current published Audit Commission scale fee for 2012/13 and the actual fees for 2011/12, is shown below:

Audit area	Proposed fee 2012/13 (£)	Published scale fee 2012/13 (£)	Actual 2011/12 fee (£)
Code audit work	⁽³⁾ 64,182	⁽¹⁾ 64,182	⁽²⁾ 106,970
Certification fees			
- Grants and returns	21,150	21,150	TBC
Total proposed fees	85,332	85,332	TBC

Due to the size of the Council and the fact that the indicative fee proposed is the scale fee, there is little scope to reduce fees further in the medium term other than by Internal Audit undertaking certification work. Under this arrangement we would only re-perform an element of the work completed.

AUDIT COMMISSION SCALE FEE CHANGES

In March 2012 the Audit Commission completed its procurement exercise to award new contracts to audit suppliers and was able to secure significant reductions in the cost of audit services. Together with further savings achieved through efficiencies, the Audit Commission has been able to pass on reductions of up to 40 per cent in audit fees for the five years of the contracts.

The published scale fee for 2012/13⁽¹⁾ is based on 60 per cent of the original proposed fee for 2011/12 of £106,970. The final outturn fee for 2011/12 was £106,970⁽²⁾, no extra fees were charged in relation to the additional work we completed on the collection fund and year end debtor and creditor figures in order to give our audit opinion in recognition of the significant changes the Council was in the process of implementing.

For 2012/13, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work. The indicative fee is based on actual certification fees for 2010/11 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction. The finalisation of a number of certification returns for 2011/12 is still in progress and we will separately report on the final fees in our Certification report 2011/12.

VARIATION TO PUBLISHED SCALE FEE

We do not propose any variation to the composite indicative fee at the current time.

NON-AUDIT ASSURANCE WORK

We have not proposed undertaking any non-audit work.

Proposed work

INTRODUCTION

A separate audit plan will be issued early in 2013 once we have completed our detailed risk assessment. This will detail the significant financial statements risks and value for money risks identified, our planned audit procedures to respond to those risks and any associated changes in fee.

In this Planning Letter we outline the proposed work programme and planned risk-based value for money work.

VALUE FOR MONEY

We are required to assess the Council's arrangements to:

- secure financial resilience
- challenge how it secures economy, efficiency and effectiveness.

We have noted the following local risks that impact on our value for money audit:

Integration with Mid Suffolk District Council

There was significant organisational change in 2011/12 as the two Councils continued to integrate operations and staff. The integration and transformation process continues to progress in 2012/13 and is strongly linked to the successful delivery of the savings programme. There were a number of redundancies in 2011/12 and further redundancies have been made in 2012/13. Forecast savings from staff costs and other costs are already expected to be exceeded.

Key areas of risk during these transition times are:

- redundancies and their impact on capacity and the Council's ability to deliver core services
- monitoring of costs and delivery of priorities given reduced capacity
- legality of arrangements.

Savings Targets

The Council has a significant level of savings, efficiencies and additional income to deliver in 2012/13 of £1.1m.

Members and Officers have been engaged in the process of identifying the savings proposals but the approved budget recognised that there are a number of risks and uncertainties associated with the achievement of the overall budget. In year monitoring of the position to date suggests the Council is on-track to achieve its forecast and we will continue to monitor the financial position during Quarter 4

Other matters we will keep under review during 2012/13:

- the Governance Review progress and outcomes from the Joint Constitutional Review Group; and
- the implementation and impact of the local Council Tax support scheme and project management of the required changes in software and systems at the Shared Revenues Partnership.

CHANGES TO PROPOSED WORK AND FEES

If we need to propose any amendments to the audit fee during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Corporate Manager - Finance and inform the Overview and Scrutiny (Stewardship) Committee of a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Committee.

Planned outputs

REPORTS AND OPINIONS

We plan to issue the following reports and opinions over the course of the audit:

- audit plan (March 2013)
- if appropriate, report on significant deficiencies in internal controls (May 2013)
- annual governance report (September 2013)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2013)
- auditor's report and assurance statement on the Whole of Government Accounts L-Pack (September 2013)
- annual audit letter (October 2013)
- grants claims and returns certification report (January 2014).

Audit team

KEY MEMBERS OF THE AUDIT TEAM

Engagement Lead – Richard Bint

email: richard.bint@uk.pkf.com

Tel: 020 7065 0497

Richard will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Engagement Manager – Zoe Thompson

email: zoe.thompson@uk.pkf.com

Tel: 01473 320734

Zoe will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Team Leader – Sam Mason

email: sam.mason@uk.pkf.com

Tel: 01473 320795

Sam will lead the delivery of the accounts audit.

CLIENT SATISFACTION

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Richard Bint in the first instance. Alternatively, you may wish to contact our Managing Partner, Martin Goodchild. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales (“ICAEW”).

FORTHCOMING MERGER OF PKF AND BDO

BDO LLP and PKF (UK) LLP recently announced they have agreed to merge. The merger – now approved by partners of both firms – will complete by spring 2013. The firm, under the BDO brand, will be a leading accountancy and business advisory firm, with some 3,500 people in the UK generating revenues approaching £400million.

The merger creates a financially strong business with significant sector and geographical coverage across the UK. It will be a member of BDO International, the largest global accountancy organisation aimed at the mid-market, with revenues of over \$6bn operating in 138 countries worldwide.