
EXTERNAL AUDITOR'S ANNUAL AUDIT PLAN FOR 2013/14

1 SUMMARY

- 1.1 This report presents the Council's external auditor's updated annual audit plan (AAP) covering the audit of the 2013/14 accounts and grants.

2 INTRODUCTION

- 2.1 In its AAP, attached as appendix 1, BDO sets out its audit approach and scope in relation to the audit of the 2013/14 financial statements, value for money conclusion and grant certification work.
- 2.2 The AAP confirms that there has been no change to the audit fee for 2013/14 and that the scale fees, set by the Audit Commission for future years, are to be revisited when an annual review of the work programme is undertaken.

3 EXTERNAL AUDIT ARRANGEMENTS

- 3.1 When the Audit Commission was abolished and external audit work outsourced, PKF (UK) LLP was confirmed as appointed external auditor for Rochford District Council with effect from 1 September 2012 for a 5 year term. PKF has subsequently merged with BDO LLP under the BDO brand. The Audit Commission has undertaken due diligence and advised that it is satisfied that the new merged firm will continue to meet the Commission's requirements. The Audit Commission Board has confirmed that it has novated PKF's contract to BDO with effect from 28 March 2013.

4 RESOURCE IMPLICATIONS

- 4.1 The total audit fee of £62,643 is the same as the fee charged for 2012/13. The fee for the auditing of grants claims will be £12,400 – this is not varied from the scale fee, but represents a reduction of approximately 0.17% on the 2012/13 fee of £14,950.

5 LEGAL IMPLICATIONS

- 5.1 The Council is legally required to have an external auditor appointed by the Audit Commission. The Commission has the power to determine the fee above or below a scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee.

6 RECOMMENDATION

- 6.1 It is proposed that the Committee **RESOLVES**

That the external auditor's annual audit plan for 2013/14 be noted.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

For further information please contact Yvonne Woodward on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.

PLANNING LETTER 2013/14

Report to Audit Committee

Rochford District Council

APRIL 2013

APRIL 2013



PROPOSED AUDIT FEES

Introduction

We are required to report to you our proposed fees and programme of work for the 2013/14 financial year.

The fee is based on the work required under the Audit Commission's Code of Audit Practice and our assessment 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 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 2013/14 and the current proposed fees for 2012/13, is shown below:

Audit area	Proposed fee 2013/14 (£)	Current proposed 2012/13 fee (£)
Code audit work		
Scale fee	62,643	62,643
Certification fees		
Scale fee	12,400	14,950
Total proposed fees	75,043	77,593

Audit commission scale fee

In December 2012 the Audit Commission published a consultation document setting out the work that the Audit Commission plans to undertake at Local Government audited bodies during 2013/14, with the associated scales of audit fees. The Commission plans to publish the final work programme and scales of fees for 2013/14 in April 2013.

The Commission has not planned to make any changes to the work programme for Local Government for 2013/14 and so the Scale audit fees proposed for Code audit work have been set at the same level as the fees applicable for 2012/13.

The Commission has committed to undertaking an annual review of the work programme and fees and so will be revisiting Scale fees for future years in due course.

Variation to published scale fee

The proposed Code audit fee for 2013/14 of £62,643 is not varied from the Scale fee.

The proposed fee for certification work for 2013/14 of £12,400 is not varied from the Scale fee.

Questions and objections

Should any arise, time spent dealing with questions and objections will be billed separately. Where possible we will provide an estimate of the likely time required to respond to the matters before starting the work.

Non-audit assurance work

We have not proposed undertaking any non-audit work.

Billing

Your Code audit fee will be billed in four equal, quarterly instalments of £15,660.75 commencing in June 2013. Fees for the certification of grant claims and returns are billed on completion of the certificate for each claim or return.

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 of any issues arising are significantly different from those reflected in the proposed fee, we will first discuss this with the Head of Finance and seek approval from the Audit Commission for 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 Audit Committee.

PROPOSED WORK

Introduction

A separate Audit Plan will be issued once we have completed our detailed risk assessment and the audit of the 2012/13 financial statements. This will detail the significant financial statements risks and value for money risks that we have 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.

Financial Statements

Our audit strategy proposes that we obtain assurances over the financial statements using a combination of testing the effectiveness of the Council's internal controls, testing a sample of transactions and balances in the financial statements, and analytical procedures.

We will seek to rely on the work of any management expert used to prepare items in the financial statements, such as land and property valuations provided and pensions actuaries for valuation of the Council's share of the pension fund assets and liabilities and insurance actuaries for assessing insurance provisions and reserves.

To date, we have noted the following that may impact on our proposed approach to the audit of the financial statements for 2013/14:

Localisation of business rates and council tax

Part of the Government's welfare reform and deficit reduction initiatives included the localisation of business rates and council tax. The new schemes were implemented on 1 April 2013 with the aim of giving councils greater discretion over discounts and exemptions to encourage employment and to be consistent with the wider localization agenda.

We will closely monitor the impact of localisation of business rates and council tax on the Collection Fund.

Value for money

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

- **secure financial resilience:** the organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- **challenge how it secures economy, efficiency and effectiveness:** the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

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

Medium term financial strategy

Government continues to reduce funding for local government over the Spending Review period, and combined with additional pressures arising from demographic and other changes, will have a significant impact on councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme also brings added uncertainty to the medium term financial strategy.

PLANNED OUTPUTS

Reports and opinions

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

- Audit Plan (January 2014)
- if appropriate, report on significant deficiencies in internal controls (May 2014)
- Annual Governance Report (September 2014)
- auditor's report with opinion on the financial statements and value for money conclusion (September 2014)
- auditor's report and assurance statement on the Whole of Government Accounts return (September 2014)
- Annual Audit Letter (October 2014)
- grant claims and returns certification report (January 2015).

AUDIT TEAM

Key members of the audit team

Engagement Lead - Richard Bint

email: Richard.Bint@bdo.co.uk

Tel: 020 7065 0486

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

Engagement Manager - Clare Reed

email: Clare.Reed@bdo.co.uk

Tel: 01473 320781

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

Team Leader - Barry Pryke

email: Barry.Pryke@bdo.co.uk

Tel: 01473 320793

Barry will lead the delivery of the financial statements 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, Simon Michaels. 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”).