
PLANNING LETTER 2013/14

Report to the Audit and Risk Committee

Slough Borough Council

APRIL 2013



PROPOSED FEES

Introduction

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

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

The audit fee covers the:

- audit of the financial statements and associated Whole of Government Accounts return
- value for money conclusion.

Indicative audit fee

A summary of the proposed fee, and how it compares to the 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 fee 2012/13 (£)
Code audit work		
Scale fee	168,960	168,960
Variation	-	16,000
Total Code audit work	168,960	184,960
Objections and complaints	-	-
Certification fees		
Scale fee	17,200	19,150
Variation	-	-
Total certification fee	17,200	19,150
Total proposed fees	186,160	204,100

The proposed indicative audit fee is in accordance with the current published Audit Commission scale fee for 2013/14.

Audit commission scale fee

In December 2012, the Audit Commission published a consultation document setting out the work that auditors should undertake at Local Authorities during 2013/14 and the associated scales of audit fees. The Commission confirmed the final work programme and scales of fees for 2013/14 in March 2013.

The Audit Commission has not made any changes to the work programme for Local Government bodies for 2013/14. The fees proposed for the code audit work remain at the same level as the fees applicable for 2012/13. The Certification scale fee proposed has reduced by £1,950 compared to the proposed scale fee in 2012/13.

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

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-Code audit assurance work

We have not proposed undertaking any non-audit work

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 Assistant Director of Corporate Resources 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 Corporate Management Team and the Audit and Risk Committee.

Billing arrangements

The Code audit fee will be billed as four equal instalments of £42,240 in June 2013, September 2013, December 2013, and March 2014. Fees for the certification of grants and returns will be billed upon completion of each relevant return.

PROPOSED WORK AND REPORTS

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

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

- accounting for the transactions of the local asset backed vehicle (LABV)
- valuation of infrastructure on a depreciated replacement cost rather than historical cost to align with HM Treasury guidance
- CIFPA consultation on recognition of schools' assets
- impact of localisation of business rates and council tax on the Collection Fund.

Preparation of financial statements

The Council should continue to work towards its improvement plans for ensuring that fully effective arrangements for producing the annual financial statements are embedded.

We will continue to work with officers and undertake an early review of the financial statements and the proposed accounting treatment of any contentious areas in the lead up to producing the 2013/14 financial statements.

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

The 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 continue to have a significant impact on Councils.

Changes to the arrangements for funding council tax support and the business rate retention scheme, along with the transfer of responsibility for public health, also bring added uncertainty to the medium term financial strategy.

Local asset backed vehicle

The Council has entered into a LABV, a joint venture involving a private sector partnership, which will oversee investment in agreed community and commercial projects with the aim of improving the quality of infrastructure and buildings throughout the borough. Increasing the supply of housing and future capital receipts and revenue income flows for the Council are other key aims of the joint venture.

We will continue to review the project management and governance arrangements for the partnership to ensure these become embedded in the operations of the LABV, and the Council's arrangements for ensuring that it is achieving value for money from the joint venture.

Slough Wellbeing Board

The Slough Wellbeing Board assumed its full statutory powers from April 2013, bringing together all areas of local government, the NHS and Slough residents. We will assess the progress made by the Slough Wellbeing Board in addressing its agreed strategy and objectives.

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 - Robert Grant

email: Robert.Grant@bdo.co.uk Tel: 020 7065 0170

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

Engagement Manager - Janine Combrinck

email: Janine.Combrinck@bdo.co.uk Tel: 020 7065 0440

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

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 Robert Grant 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").