

**Agenda Item No:** 6

**Report to:** Audit Committee

**Date of Meeting:** 11 March 2013

**Report Title:** PKF Audit Plan 2012/13

**Report By:** Tom Davies  
Chief Auditor

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### **Purpose of Report**

Auditing Standards require auditors to communicate relevant matters relating to audit to those charged with governance. The PKF report identifies the key areas that will be reviewed by the council's external auditors.

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### **Recommendation(s)**

- 1. To receive and note the External Auditor's Audit Plan 2012/13.**

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### **Reasons for Recommendations**

The Audit Committee, as required by the Constitution, receive and note the External Auditor's Audit Plan on behalf of the Council.

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## Introduction

1. This plan summarises the proposed audit work for the year for Hastings Borough Council, the significant risks that impact on the audit and the planned work in response to those risks. It also provides the proposed fee for that work undertaken and comments on the BDO & PKF merger in relation to independence.

## Risk Assessment

2. The following areas of significant risk have been identified:

### Financial statements

- management override of controls
- revenue recognition
- potential liability to repay amounts to Municipal Mutual Insurance under its scheme of arrangement

### Use of resources

- managing the reduction in central government grant funding and addressing the budget gaps identified through the medium term financial strategy

## Fees

3. The proposed audit fee for the year is £60,990 plus VAT, which is the scale fee published by the Audit Commission.
4. The proposed fee for the certification of claims and returns is £16,300 plus VAT, which is the composite scale fee published by the Audit Commission.
5. The fee for 2012/13 has been reduced compared to 2011/12 to reflect the combined impact of the Audit Commission's outsourcing of its in-house Audit Practice and other internal efficiency savings (by the Commission).

## BDO / PKF Merger

6. BDO LLP and PKF (UK) LLP recently announced that they have agreed to merge businesses and this is expected to be completed in 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 £400 million.
7. A senior manager from PKF will attend the Audit Committee meeting to explain the contents of the plan.
8. The plan is attached at Appendix A of this report.

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**Wards Affected**

None

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**Area(s) Affected**

None

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**Policy Implications**

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

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**Background Information**

Appendix A - PKF Audit Plan 2012/13

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**Officer to Contact**

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Appendix A could not be published on the Council's website, due to the complex information that it contains. If required, a copy can be obtained by contacting: Emily Horne, Tel: 01424 451719 or emailing: ehorne@hastings.gov.uk