

Our reference BR31511A

9 March 2010

Mr Tim Wheadon
 Chief Executive
 Bracknell Forest Council
 Easthampstead House, Town Square
 Bracknell
 Berkshire
 RG12 1AQ

Direct line 0844 798 5839
Email p-sharman@audit-commission.gov.uk

Dear Tim

Annual audit fee 2010/11

I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Bracknell Forest Council. The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11.

As I have not yet completed my audit for 2009/10 the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The indicative audit fee 2010/11 is for £256,600, which compares to the planned fee of £242,100 for 2009/10. A summary of this is shown in the table below.

Work	Planned fee 2010/11	Planned fee 2009/10	Actual Fee 2008/09
Financial statements	£189,600	£163,300	£184,900
Use of Resources/VFM Conclusion [including risk based work]	£61,100	£73,100	£66,200
Whole of Government Accounts (WGA)	£5,900	£5,700	£4,100
Total audit fee	£256,600*	£242,100	£255,200^
Certification of claims and returns	£53,000	£43,000	£58,843

*gross before rebate applied

^ includes supplementary fee for additional work required

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. The Audit Commission scale audit fee for Bracknell Forest Council is £229,220. My proposed fee is maintained at 12% above the scale fee and is within the normal level of variation specified by the Commission.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards (IFRS) and this is reflected in my proposal. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2010. He has also confirmed that to help mitigate the cost of the IFRS transition the Audit Commission will make a direct rebate to you in December 2010 of 3% of the scale fee.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRS. Although I do not have direct audit responsibilities in respect of balances at the transition date, these do form the opening balances for the comparative period. I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010/11, the Audit Commission will absorb the cost of these additional requirements within the above fee.

A separate opinion plan for the audit for the financial statements will be issued to you in February 2011 when my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee. In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk):

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with the Treasurer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Governance and Audit Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However my initial planning has identified some potentially significant risks which may impact upon my opinion and value for money conclusion. For each risk, I will consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly.

My initial assessment of these risks is shown in the table below. The first two items have additional resources planned and therefore have a direct impact on the fee for the 2010/11 year.

Risk	Planned work	Timing of work
The introduction of International Financial Reporting Standards for the first time in 2010/11 will constitute a risk of errors or misstatements in the financial statements.	The audit work arising from the introduction of International Financial Reporting Standards.	April 2010 – March 2011
The Council will be replacing its revenue and benefits system (Pericles) in October 2010. This will impact on 3 significant financial systems – Housing Benefit, Council Tax and NDR.	We will review the Council's approach in establishing robust controls within the new system and ensuring all data is transferred completely and accurately to it. We will seek to place reliance on Internal Audit to complement our controls assessment.	April 2010 – March 2011
The Council has been proactive in achieving efficiencies but continues to face budget pressures. In the short term the impact of the recession has led to reduced income from leisure services, car parking and investment income. In the longer term the Council faces potential reductions in funding with public sector expenditure constraints.	We will continue to review the Council's approach to closing its long term budget gap during the 2010/11 budget and medium term financial planning in the light of funding restrictions.	April 2010 – March 2011
The Council's arrangements for achieving robust data quality (DQ) have been mixed in the past. In 2009/10 it has taken steps to improve its arrangements by developing a DQ strategy. It is shortly to implement a new performance management system – PARIS.	We will assess whether the strategy and PARIS has improved the consistency of data quality as part of our mandated spot checks.	March – July 2011
The Council has taken positive action to strengthen governance arrangements but now needs to ensure these are operating as intended, in particular the role of the Standards Committee, in monitoring compliance with relevant codes and	We will assess the effectiveness of the Council's governance arrangements and the perceptions of members and senior managers by undertaking a	Oct - Nov 2010

Risk	Planned work	Timing of work
procedures and actively promoting standards across the Council.	good governance survey. We will discuss the results of the survey with officers to identify the need for further work. Any further work would be subject to additional fee.	
The Council is a strategic partner in the proposed Town centre redevelopment.	We have made no specific provision for redevelopment in our plan but should the development progress significantly we will update our risk assessment and discuss any fee impact with the Borough Treasurer.	April 2010 – March 2011

I will issue a separate project specification for the good governance survey before beginning the work. I will also issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

- Catherine Morganti – Audit Manager 0844 798 4667
- Rachel Cobley – Team Leader 0844 798 1793

I am 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 me in the first instance. Alternatively you may wish to contact the South East Head of Operations, Neil Childs (nchilds@audit-commission.gov.uk)

Yours sincerely

Phil Sharman
District Auditor

cc Chris Herbert, Borough Treasurer

Appendix 1: Reporting

Our reports will be discussed and agreed with the appropriate officers before being issued.

Table 1 Planned outputs

Planned output	Indicative date
Audit fee letter	March 2010
Opinion plan	February 2011
Interim audit memorandum	April 2011
Good governance survey	To be agreed
Use of resources report	September 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Final accounts memorandum	October 2011
Annual audit letter	October 2011