



The Audit Plan for Buckinghamshire County Council

Year ended 31 March 2014

May 2014

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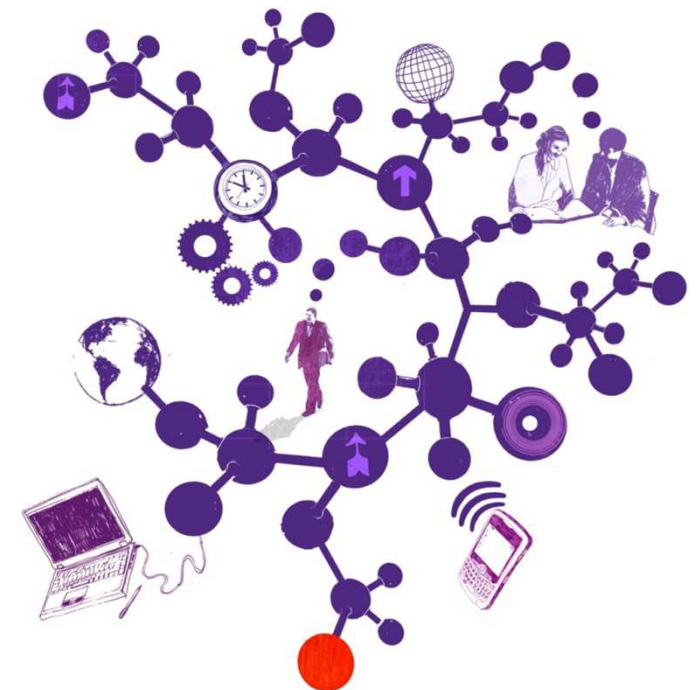
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

<p>1. Financial sustainability</p> <ul style="list-style-type: none"> You face further reductions in funding from central government and indications are that austerity is set to continue Whilst your current financial position is sound, the delivery of the savings in your medium term financial plan and beyond will be important to secure your financial sustainability and your ambition of financial self-reliance 	<p>2. New delivery models</p> <p>You have established new service delivery models including:</p> <ul style="list-style-type: none"> Buckinghamshire Care Ltd to run aspects of adults services Buckinghamshire Learning Trust to deliver educational services to schools, academies and outside the county boundary 	<p>3. Structural change</p> <ul style="list-style-type: none"> As part of your "Future Shape" programme you are designing and implementing structures that will move you to becoming a commissioner and co-ordinator rather than a provider of services These new structures will provide opportunities to develop new ways of working but present challenges in terms of governance, accountability and assurance 	<p>4. Establishing a commercial culture</p> <ul style="list-style-type: none"> You acknowledge that structural redesign will not be sufficient to effect the changes you want to make to the way that you conduct business You are trying to establish a set of principles that will promote more commercial behaviours and allow innovation but balance this with the need to deliver your priorities and overall objectives 	<p>5. Customer focus</p> <ul style="list-style-type: none"> You are making changes to the way you engage with the public and the ways that customers access your services; increasing an emphasis on self-service and the use of one customer account for all your services You hope this will improve the experience of service users as well as delivering efficiency savings 	<p>6. Integrating Health and Social Care</p> <ul style="list-style-type: none"> Through your Better Care Plan you are developing how you will work with local CCGs and healthcare providers Through this arrangement you will seek to share funding, staff, information and risks with the local health economy
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Our response

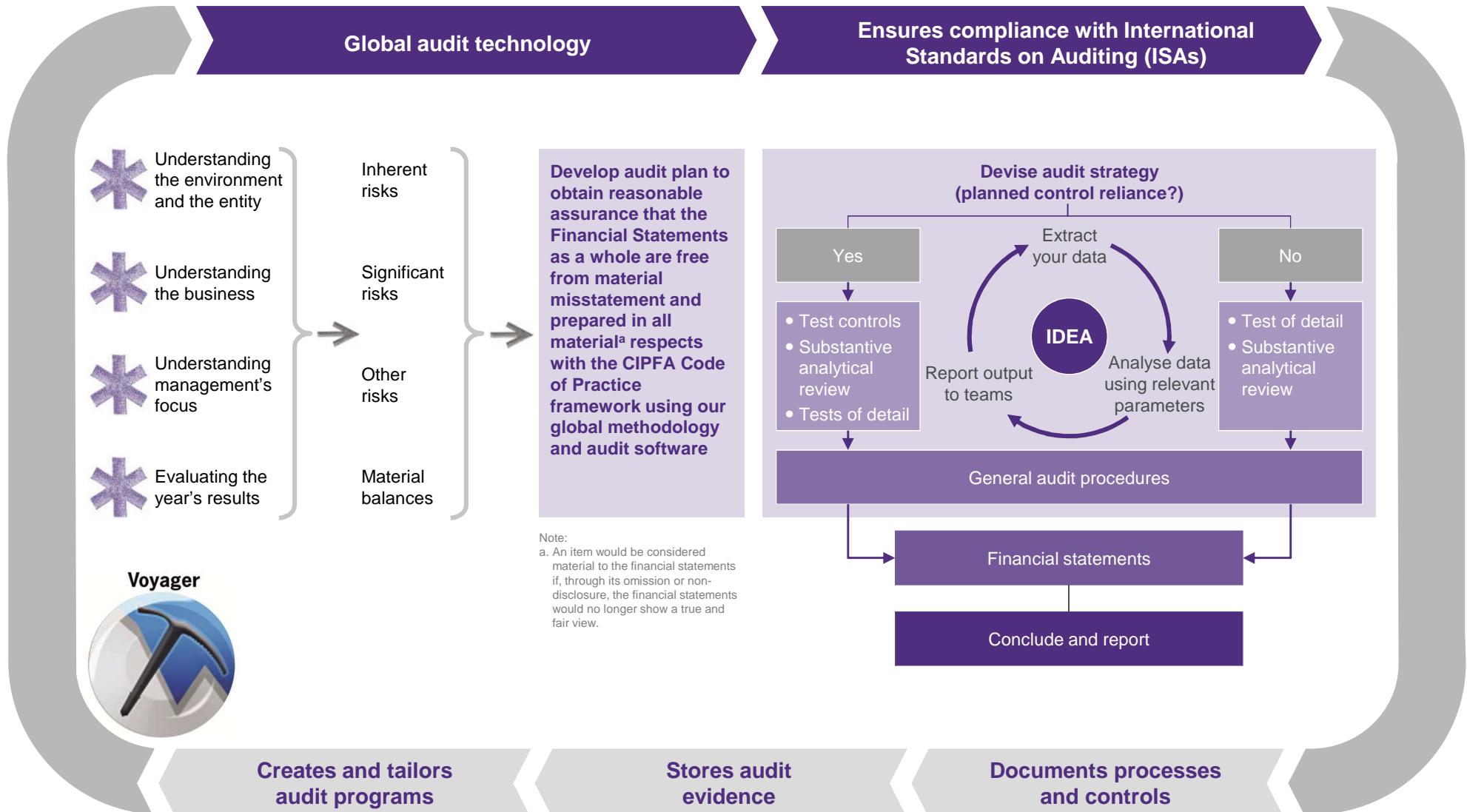
<p>As part of our financial resilience work:</p> <ul style="list-style-type: none"> We will review the key assumptions in your medium term financial plan We will consider the delivery to date of your current savings plans and the achievability and robustness of your plans for the future 	<ul style="list-style-type: none"> We will review your service delivery plans to assess whether they meet your key goals We will consider whether the new service delivery models are achieving the desired financial and service outcomes and planned level of savings to assess whether they are realistic and achievable 	<ul style="list-style-type: none"> We will consider how your "future shape" programme is progressing as part of our value for money conclusion Where appropriate, we will provide advice and support on the governance, accountability and risk management arrangements you are developing 	<ul style="list-style-type: none"> We will consider your plans to establish a more commercial culture and monitor progress as part of our value for money conclusion We will review the principles by which you plan to promote more commercial behaviours, providing support where appropriate 	<ul style="list-style-type: none"> We will monitor your progress in implementing these new arrangements and how you are measuring and assessing their impact on your service users 	<ul style="list-style-type: none"> We will review your Better Care plans We will discuss your future plans with relevant senior managers
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Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to National Domestic Rates accounting and provisions for business rate appeals • Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 • Care Bill 2013 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • You are required to submit a Whole of Government accounts pack on which we provide an audit opinion
Our response					
<p>We will assess whether:</p> <ul style="list-style-type: none"> • you comply with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing • schools are accounted for correctly and in line with the latest guidance 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with you through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements you have in place for the production of the AGS • We will review your AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how you have dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review your performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of financial resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Planned audit procedures
The revenue and operating expenditure cycles include fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams • Cut off testing of revenue and expenditure • Review and testing of income and expenditure accruals • Testing for unrecorded liabilities
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions • Cut off testing of revenue and expenditure • Testing for unrecorded liabilities

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Cycle	Description of reasonably possible risks	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Identification of controls over operating expenses • Walkthrough of the operating expenses cycle 	<ul style="list-style-type: none"> • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Testing of cash payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts • Cut off testing to assess whether transactions are recorded in the correct period • Substantive testing of material operating expenditure payments • Substantive testing of material year end payables • Procedures to gain assurance that material goods and services received prior to year are correctly accrued for
Employee remuneration	Employee remuneration accrual understated Payroll tax obligations understated	<ul style="list-style-type: none"> • Identification of controls over employee remuneration • Walkthrough of employee remuneration cycle 	<ul style="list-style-type: none"> • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Substantive testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated • Testing to gain assurance that remuneration for starters and leavers has been correctly accounted for • Trend analysis and risk identification for monthly payroll costs • Testing to confirm the completeness of payroll transactions and appropriate cut-off

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Cycle	Description of reasonably possible risks	Work completed to date	Further work planned
Property, Plant & Equipment	Property, plant and equipment activity not valid Revaluation measurement not correct	<ul style="list-style-type: none"> • Identification of controls over the purchase of property, plant & equipment • Walkthrough of the property, plant and equipment cycle 	<ul style="list-style-type: none"> • Testing the reconciliation of PPE recorded in the general ledger to the fixed asset register • Review of capitalisation policy to assess whether it remains reasonable • Substantive testing of capital additions, disposals and other significant PPE movements • Assessing whether your PPE revaluation policy meets the requirements of the CIPFA Code • Review the work performed by your valuation experts and perform procedures to confirm the reasonableness of asset valuations included in your accounts. • Review the reasonableness of asset lives used to calculate the depreciation charge, and testing of the calculation itself
Other Revenues	Other recorded income not valid	<ul style="list-style-type: none"> • Identification of controls over other revenues • Walkthrough of the other revenues cycle 	<ul style="list-style-type: none"> • Substantive testing procedures to assess whether income included in the CIES is valid

Value for money

Value for money

The Code requires us to issue a conclusion on whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in its use of your resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging 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 undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- review actions taken and progress made in implementing the Future Shape programme
- review progress in respect of service redesign to assess whether your plans are likely to enable you to meet your key goals, and review the appropriateness and robustness of the governance arrangements being put in place
- consider progress with the move to becoming a commissioner of services, the introduction of new delivery models and the associated accountability and governance framework
- review of your financial resilience including:
 - an assessment of financial performance during the year and its impact on your financial health
 - a review of your medium term financial plans covering financial forecasting, planning assumptions and the robustness of future savings plans
 - follow up of recommendations from our 2012/13 Audit Findings Report
- review your plans to work with local health bodies through the Better Care Fund
- maintain a watching brief on the progress of your Energy from Waste scheme

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter. We will agree any additional reporting to you on a review-by-review basis.

Results of interim audit work

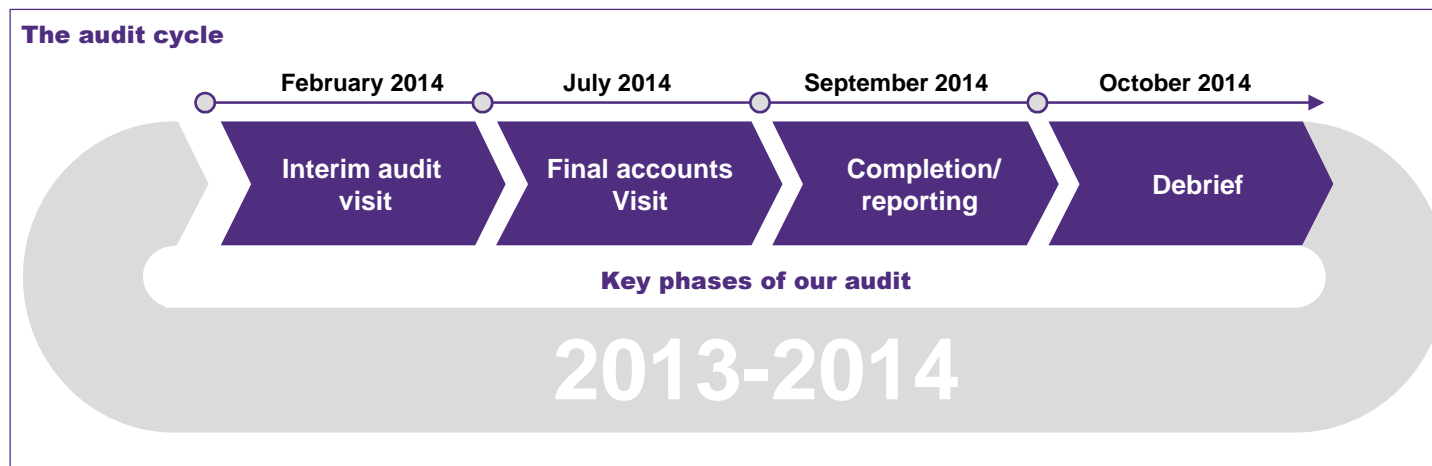
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p>	<p>Overall, we have concluded that internal audit continues to provide an independent and satisfactory service and that internal audit work contributes effectively to your internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on your financial statements. We have identified some minor improvement points which we are currently in the process of agreeing with management.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements.	We will analyse all journals posted to the general ledger in 2013/14, and test a sample of large and unusual entries.
Initial discussions with management	<p>We have held initial discussions with management in respect of some areas of significant accounting judgement in the financial statements. These include:</p> <ul style="list-style-type: none"> • The decision not to produce group accounts in 2013/14 on the basis that Buckinghamshire Care Limited is not material to the operations of the group and that you do not exercise sufficient control over Buckinghamshire Learning Trust • The treatment of pension costs and liabilities for those staff who have transferred to Buckinghamshire Care Limited • The recognition of an asset under construction for the work completed to date as part of your Energy from Waste scheme 	We are currently discussing these issues with management and how they will be disclosed in the financial statements. We will update you with a final position on these areas of key accounting judgement at the conclusion of our audit.

Key dates



Date	Activity
January – April	Planning
February – March	Interim site visit
June	Presentation of audit plan to Regulatory and Audit Committee
July	Year end fieldwork
September	Audit findings clearance meeting with Service Director (Finance and Commercial Services)
September	Report audit findings to those charged with governance (Regulatory and Audit Committee)
September	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	117,450
Grant certification	0
Total fees (excluding VAT)	117,450

The certification fee reported in our fee letter included £2,900 for the certification of the Teachers' pension return. The 2013/14 assurance engagement will now be controlled directly by Teachers' Pensions. This means the work now falls outside Audit Commission certification arrangements and has been removed from your scale fee.

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, the Council and your activities, have not changed significantly
- You will make available management and accounting staff to help us locate information and to provide explanations
- Accounts presented for audit are materially accurate and supported by consistent and appropriate working papers.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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