



The Annual Audit Letter for Buckinghamshire County Council

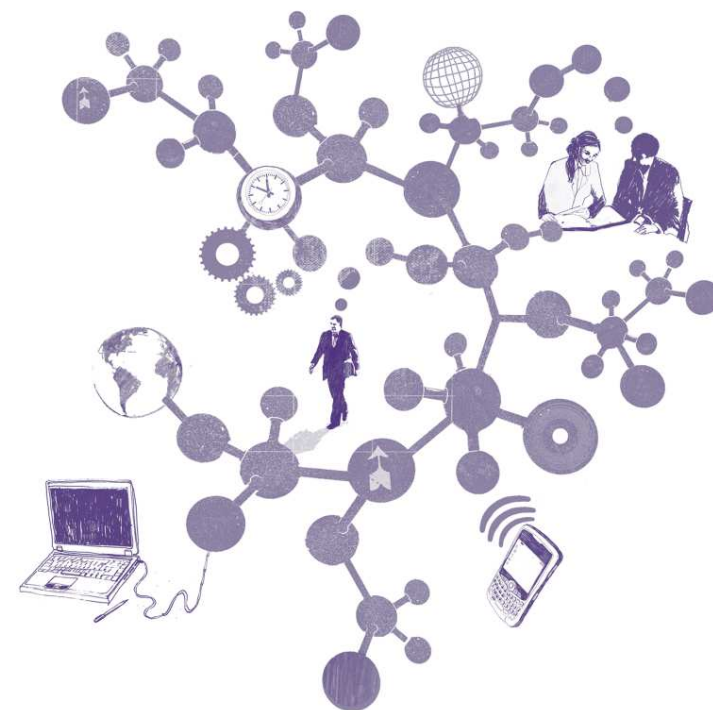
Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Buckinghamshire County Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to you and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 10 June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September 2014 to the Regulatory and Audit Committee. The key messages reported were:

- You de-cluttered your accounts in an innovative way; presenting your financial statements in a format which increases clarity and transparency.
- The capacity of the finance team was stretched by the impact of other significant priorities, notably the provision of documentation and explanation to facilitate the audits of your new subsidiary companies, Buckinghamshire Care Ltd and Buckinghamshire Support Ltd.
- There were some gaps in the agreed working papers provided to us on the first day of the audit on 23 June 2014.
- Requests for supporting documentation and explanations were sometimes slow to be provided.
- These gaps in the working papers and intervals in receiving supporting information delayed the audit process, increased the time taken to review key areas of the accounts and resulted in additional audit work.
- The audit team identified a number of presentational changes (both disclosure and classification error) that the finance team adjusted in the draft accounts.
- We also identified some recommendations for enhancing internal controls which we have discussed with management and they have agreed to action. More detail can be found in the action plan at Appendix A.

We issued an unqualified opinion on your 2013/14 financial statements on the 30 September 2014, meeting the statutory deadline. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by you.

Key messages

| | |
|---|---|
| Value for Money (VfM) conclusion | <p>We issued a qualified VfM conclusion for 2013/14 on the 30 September 2014.</p> <p>In seeking to satisfy ourselves that you made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we considered reports issued by regulators. In August 2014, a report on the Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in Buckinghamshire County Council were judged to be inadequate.</p> <p>Based on our review, with the exception of the matter set out above, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year end 31 March 2014.</p> |
| Whole of Government Accounts | <p>We reviewed the consolidation pack which you prepared to support the production of Whole of Government Accounts (WGA). We reported that your pack was consistent with the audited financial statements except for the following differences:</p> <ul style="list-style-type: none">• Opening balances for long term and short term provisions; and• Counter party data in relation to a receipt in advance from Milton Keynes Council was not included in the WGA pack. |
| Audit fee | <p>Our fee for 2013/14 is under discussion with the Service Director (Financial & Commercial Services). This is due to unforeseen additional audit work outside of the Audit Commission scale fee being required (as specified in the Key Messages of this report).</p> <p>Our fee for the pension fund audit is confirmed at £25,033.</p> |

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

| No. | Issue and recommendation | Priority | Management response/ responsible office/ due date |
|-----|---|----------|---|
| 1. | <p>A £1 journal was entered into the ledger in order to activate a ledger code.</p> <p>Recommendation: This practice should be discontinued as it increases the risk of an incorrect journal being posted which could materially alter the financial statements or be used to conceal fraudulent activity.</p> | Medium | <p>We are reviewing our journals protocol and journals checking arrangements to incorporate this issue.</p> <p>Responsible office: Financial Accountancy Manager, SSC Team Manager Due date: 31 October 2014</p> |
| 2. | <p>We identified manual journals for which the finance team were unable to provide supporting documentation.</p> <p>Recommendation: Supporting documentation should be retained for all manual journal postings.</p> | Medium | <p>We are reviewing our journals protocol and journals checking arrangements to incorporate this issue.</p> <p>Responsible office: Financial Accountancy Manager, SSC Team Manager Due date: 31 October 2014</p> |
| 3. | <p>Recharges from schools balances were incorrectly included in the draft financial statements</p> <p>Recommendation: Identify and remove recharges from your schools balances prior to inclusion in the financial statements.</p> | Medium | <p>We will perform a review of schools recharges during November and communicate with the schools through the schools forum to appropriately update the general ledger.</p> <p>Responsible office: Financial Accountancy Manager Due date: 31 December 2014</p> |
| 4. | <p>Audit review of IT control environment found control deficiencies</p> <p>Recommendation: Management should respond to the recommendations we have raised as a result of our review of your IT control environment.</p> | Low | <p>We are working through the control recommendations and will implement wherever possible and appropriate.</p> <p>Responsible office: ICT Service Manager Due date: 31 March 2014</p> |

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

| No. | Issue and recommendation | Priority | Management response/ responsible office/ due date |
|-----|---|----------|--|
| 5. | <p>The bank reconciliations for school bank accounts had a number of issues</p> <p>Recommendation: School bank account reconciliations should be prepared appropriately and consistently:</p> <ul style="list-style-type: none"> • Reconciliations should be three way; between the school bank account, the school cash book and your cash book. • The reconciliations should be carried out as at 31st March and the figures used should agree to the cash book and bank statement as at that date. • Old reconciling items should be investigated and cleared on a timely basis. | Medium | <p>We will improve our review process to ensure that the quality of three way reconciliations is consistently high and that old items are investigated and cleared.</p> <p>Responsible office: SSC Team Manager Due date: 31 December 2014</p> |
| 6. | <p>A number of very old creditors and debit balances were found in the creditor ledger during audit work</p> <p>Recommendation: Analyse your creditor balance to remove any debit balances and / or aged balances which are no longer relevant.</p> | Low | <p>We will perform an analysis of old and debit balances and where possible remove these from the general ledger or from our creditor reports.</p> <p>Responsible office: Financial Accountancy Manager Due date: 31 March 2014</p> |
| 7. | <p>We noted during testing that there is no way to obtain a listing of school employee leaver forms</p> <p>Recommendation: Implement a system to provide assurance that all school leavers are processed on the HR system. We note that you are currently implementing a new system for 2014/15.</p> | Low | <p>We are currently implementing an automated process for 2014/15 that will address this issue. The process had been manually generated for September 2014, automation is planned for the next school term</p> <p>Responsible office: Reward Manager Due date: 31 October 2014</p> |

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Per Audit plan £ | Actual fees £ |
|--------------------------|---------------------|------------------|
| Audit Fee | 117,450 | TBC |
| Grant certification fee | 0 | 0 |
| Total fees Council audit | 117,450 | TBC |
| Pension fund fee | 25,033 | 25,033 |
| Total fees | 142,483 | TBC |

Following the additional work required as set out in the Key Messages section of this report, our fee is under discussion with the Service Director (Financial & Commercial Services).

All audit fees are subject to determination by the Audit Commission in accordance with the statutory responsibilities.

Reports issued

| Report | Date issued |
|-----------------------|----------------|
| Audit Plan | June 2014 |
| Audit Findings Report | September 2014 |
| Annual Audit Letter | October 2014 |

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |



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