

The Audit Plan for Buckinghamshire County Council

Year ended 31 March 2015

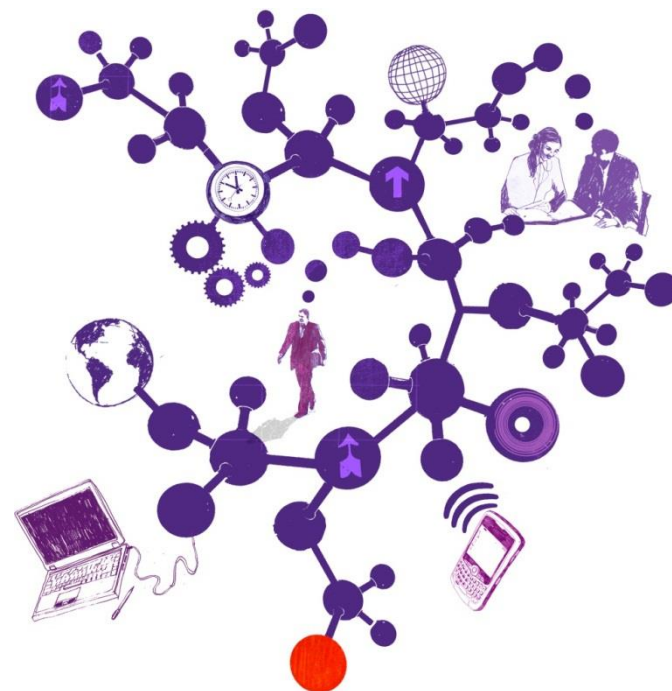
April 2015

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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.

Chartered Accountants

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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					
1. Improving Children's Services <ul style="list-style-type: none"> In response to a report issued by Ofsted in August 2014 you are undertaking an improvement programme to invest improving the quality of care provided within the Children's Services team You have committed to investing an additional £4.8m of funding from the General Fund into Children's Services for 2014/15 	2. Structural change <ul style="list-style-type: none"> As part of your "Future Shape" programme you have designed and are in the process of implementing structures that will move you to becoming a commissioner and co-ordinator rather than a provider of services These structures provide opportunities to develop new ways of working but present challenges in terms of governance, accountability and assurance 	3. New delivery models <p>You have established new service delivery models including:</p> <ul style="list-style-type: none"> Buckinghamshire Museum Trust to operate the County Museum Buckinghamshire Law Plus to sell legal services with a view to generating profit Other separately structured business units introduced as part of the Future Shape programme 	4. Financial sustainability <ul style="list-style-type: none"> Whilst your current financial position is sound, you face further reductions in central government funding Uncertainty regarding the outcome of the May 2015 General Election makes the preparation of forward financial forecasts more challenging You aim to achieve financial self-sufficiency and to deliver savings set out within the medium term financial plan 	5. Establishing a commercial culture <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 have established 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. 	6. Proposed combined authority <ul style="list-style-type: none"> You have published a bid jointly with Oxfordshire County Council and Northamptonshire County Council to establish a combined authority to take on responsibilities for spatial planning as well as transport and skills development This is an ambitious proposal and will require approval from central government in order to proceed
Our response					
<p>As part of our Value for Money assessment:</p> <ul style="list-style-type: none"> We will review the efforts undertaken to improve the level of quality of service provided by Children's Services We will discuss your continuing future plans for improvements to Children's Services with relevant senior management 	<ul style="list-style-type: none"> We will consider the implementation of the Future Shape programme after it goes live on 1st April 2015 as part of the work supporting our Value For Money conclusion We will assess the appropriateness of the new governance and accountability frameworks 	<ul style="list-style-type: none"> We will review the roll-out of new service delivery models to assess whether business units have been implemented in a manner that allows the desired financial and service outcomes to be achieved We will evaluate the management arrangements in place to support the transition 	<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 assess your implementation of steps 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 review the bid document for the proposed combined authority We will discuss with management the proposed venture to determine whether appropriate governance and management structures are in place to support the bid

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.

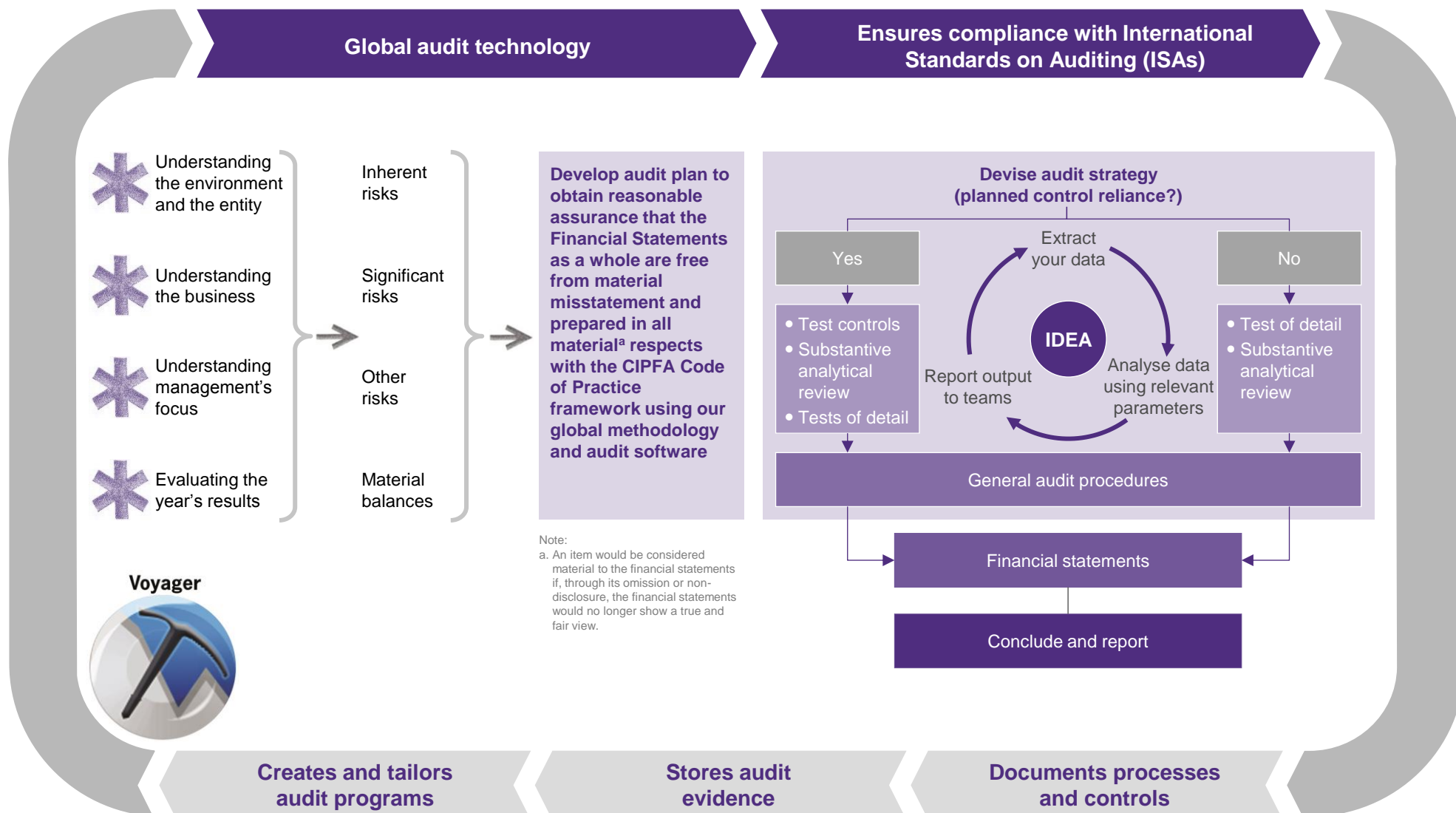
Developments and other requirements

1. Financial reporting	2. Legislation	3. Corporate governance	4. Better Care Fund	5. Financial Pressures	6. Other requirements
<ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Changes to the recognition of school land and buildings on local authority balance sheets Future changes announced in relation to accounting for transport infrastructure assets 	<ul style="list-style-type: none"> Local Government Finance settlement Care Act 2014 	<ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	<ul style="list-style-type: none"> Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015 	<ul style="list-style-type: none"> Managing service provision with less resource within a changing environment Progress against savings plans 	<ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes the Teachers' Pensions return on which audit certification is required

Our response

<p>We will review whether</p> <ul style="list-style-type: none"> the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing schools are accounted for correctly and in line with the latest guidance appropriate processes are in place in preparation for the change in basis of valuation of infrastructure assets through discussion with management 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate We will discuss with management the progress made with implementing the provisions of the Care Act 	<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge of the Council 	<ul style="list-style-type: none"> We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required 	<ul style="list-style-type: none"> We will review the Council's performance against the 2014/15 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 We will certify the Teachers' Pensions return in accordance with the relevant certification instructions
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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	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Buckinghamshire County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• Your culture and ethical frameworks mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none">• Review of control environment and internal processes in place in relation the posting of journal entries• Testing of journal entries for months 1 - 9 <p>Further work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries for months 10 – 12 and closedown• Review of unusual significant transactions

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.

Other reasonably possible risks	Description	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 • Substantive testing of operating expenditure payments for months 1 - 9 	<ul style="list-style-type: none"> • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces. • Cut off testing to assess whether transactions are recorded in the correct period • Substantive testing of operating expenditure payments for months 10 - 12 • Substantive testing of year end payable balances • Procedures to gain assurance that material goods and services received prior to the year are correctly accrued for
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<ul style="list-style-type: none"> • Identification of controls over employee remuneration • Walkthrough of employee remuneration cycle • Substantive testing of employee remuneration expenditure payments for months 1 - 9 	<ul style="list-style-type: none"> • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing to gain assurance that remuneration for starters and leavers has been correctly accounted for • Substantive testing of payroll payments for months 10 - 12, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated • Testing to confirm the completeness of payroll transactions and appropriate cut-off

Group audit scope and risk assessment

Under International Financial Reporting Standards (IFRS), it is a requirement for consolidated group financial statements to be prepared where group interests are material. In recent years you have been involved in the establishment of new corporate entities in order to aid service delivery and this has necessitated that an assessment be performed to decide whether group financial statements are required to be produced.

For 2014/15, you have assessed that you do not need to produce group financial statements. We have reviewed the preliminary group accounts assessment and based on this, we would not challenge the rationale for not producing consolidated financial statements. We will seek to confirm this after the year-end by reviewing the final year-end outturn position for all components with the group and reviewing the governance arrangements. The assessment of individual entities potentially eligible for consolidation is set out below:

Entity	Nature of entity	Your preliminary group assessment	Planned audit approach
Adventure Learning Foundation	Charity providing outdoor education and sports centre services	Not under the control of the Council	Review governance arrangements for the charity at year-end to check whether it falls under the Council's control
Buckinghamshire Care	Limited company providing care and support services to older people and adults with a disability	Under the control of the Council – entity not sufficiently material to require consolidation	Review final reported position for 2014/15 to confirm whether the company is material to the Council's accounts
Buckinghamshire Law Plus	Limited company providing legal services to not-for-profit and other public sector entities	Under the control of the Council – entity not sufficiently material to require consolidation	Review final reported position for 2014/15 to confirm whether the company is material to the Council's accounts
Buckinghamshire Learning Trust	Charity delivering services to schools and early years settings	Not under the control of the Council	Review governance arrangements for the charity at year-end to check whether it falls under the Council's control
Buckinghamshire Museum Trust	Charity overseeing the running of Buckinghamshire County Museum	Not under the control of the Council	Review governance arrangements for the charity at year-end to check whether it falls under the Council's control

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of 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:

- We will discuss with management and undertake a review of the plan and actions taken to address the findings noted by OFSTED in their report dated August 2014 relating to the provision of children's services
- We will review your arrangements for securing financial resilience for 2014/15 and for future periods, and we will assess the adequacy of the Council's medium term financial strategy
- We will review actions taken and progress made regarding the implementation of restructuring and setup of new delivery models as part of the "Future Shape" project
- We will review the roll-out of new service delivery models and evaluate the governance arrangements in place to support the transition
- We will monitor progress made in your efforts to establish a commercial culture
- We will evaluate progress made with implementing the provisions of the Care Act and in developing your plans relating to the Better Care Fund

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.

Results of interim audit work

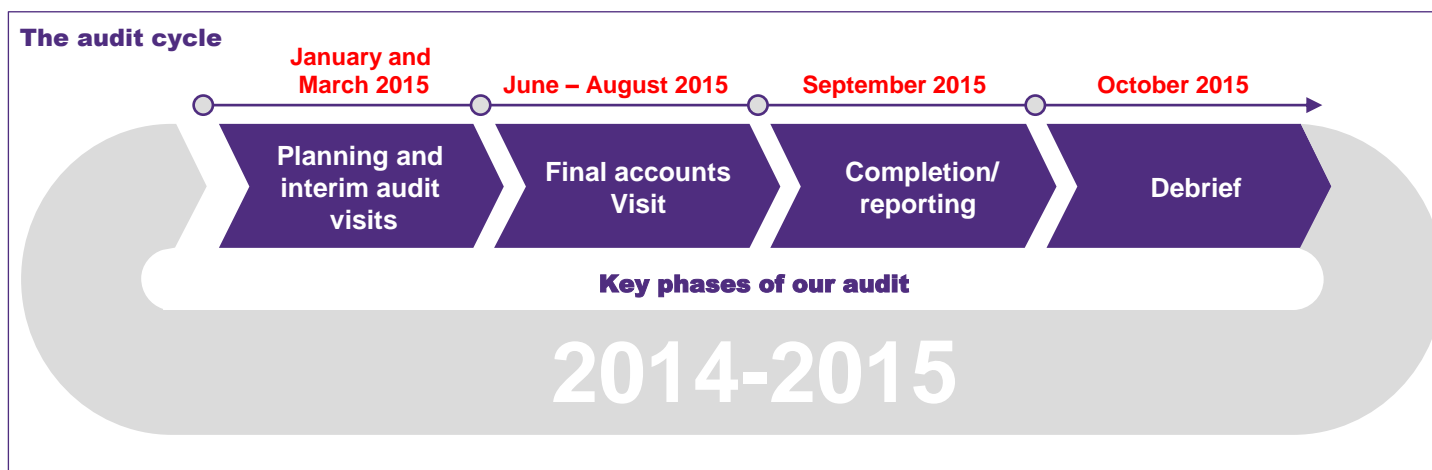
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	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>We also reviewed internal audit's work on your key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</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, being employee remuneration and operating expenditure.</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>The findings from our initial review are currently being considered and discussed with the relevant officers. We will report at a future date upon the outcomes from this review.</p>

Results of interim audit work (continued)

	Work performed and findings	Conclusion
Journal entry controls	We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy. We have also performed risk-based testing of journal entries for months 1 – 9. We have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on your financial statements.
Early substantive testing of expenditure	We have commenced with performing early substantive testing of expenditure for payroll expenditure and operating expenditure.	Our testing is currently on-going and is to be completed in advance of our final accounts visit in June. No issues with regard to expenditure have been noted from our work completed to date.
Review of change in accounting policy for schools assets	<p>For 2014/15, revised requirements for accounting for schools assets have become effective, relating to the recognition on the Balance Sheet of school buildings for Foundation, Voluntary Aided and Voluntary Controlled schools. There is significant uncertainty regarding how the new requirements should be interpreted by local authorities.</p> <p>We have held early discussions with officers regarding the practical application of the change in accounting policy for schools assets and have reviewed the work performed to far to identify which school buildings should be brought on and off of the Balance Sheet.</p>	<p>Our work so far has identified no concerns with regard to the approach adopted by the Council for accounting for schools.</p> <p>We will continue to engage with officers regarding the application of the change in accounting policy and will review this area in detail during our final accounts visit.</p>

Key dates



Date	Activity
January and March 2015	Planning and interim site visits
15 April 2015	Presentation of audit plan to Audit Committee
15 June to early August 2015	Year end fieldwork
1 September 2015	Audit findings clearance meeting with Director of Financial & Commercial Services
23 September 2015	Report audit findings to the Regulatory and Audit Committee
Deadline of 30 September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	117,450
Grant certification (Teachers' Pensions return)	7,000
Total fees (excluding VAT)	124,450

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, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

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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