

The Audit Findings Report for Buckinghamshire County Council

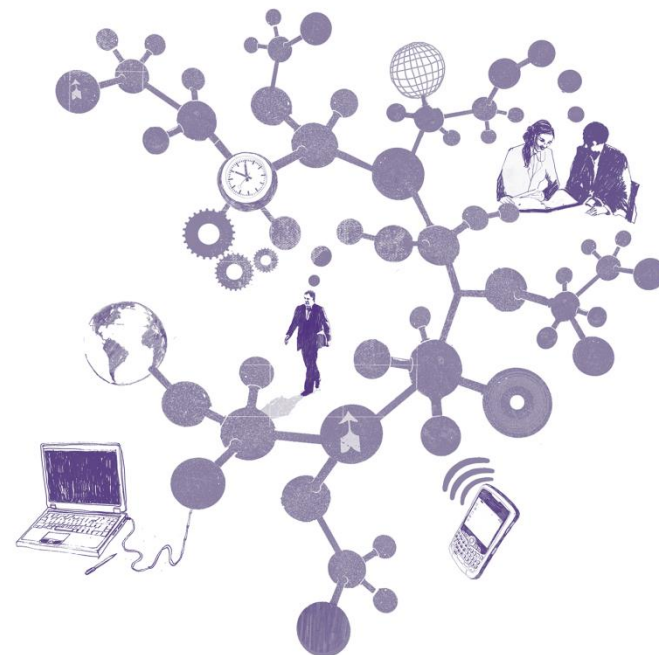
Year ended 31 March 2015

14 September 2015

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Richard Scott
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14 September 2015

Dear Richard

Audit Findings for Buckinghamshire County Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with the Director of Assurance.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by management, the finance team and other staff during our audit.

Yours sincerely

Paul Grady
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Buckinghamshire County Council's (your) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, your financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not made any changes from our planned audit approach, which we communicated to you in our Audit Plan dated 15 April 2015.

Our audit is substantially complete, subject to the finalisation of our work in the following areas:

- review of the final version of the financial statements
- receipt and review of the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- senior manager and quality reviews
- completion of Whole of Government Accounts review

We received draft financial statements and the majority of accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of your financial statements are:

- working papers provided were generally of a good quality standard
- some delays were experienced in response to our audit queries and in the provision of support to evidence key judgements and balances.

From 2017/18, you will be required to produce draft accounts by 31 May, and secure an audit opinion by 31 July. Achieving these earlier deadlines will require redesign of some of your closedown processes, arrangements and internal business processes. The audit process is also an important part of this. We have worked with many large clients to successfully implement faster close and will work with you during the coming year to support you in achieving the earlier deadlines, two years before the statutory deadlines are brought forward.

We have identified two adjustments which management has agreed to correct in the final financial statements. One of these adjustments affects your reported financial position, and relates to adjustments to the pension charge for the year. The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £814,796k. This will be amended to £812,789k in the amended, audited financial statements.

We identified two unadjusted misstatements which have not been made to the accounts relating to the annual depreciation charge and the carrying value of the long term Adult Social Care re-provisioning receivable. We have also identified a number of adjustments to improve the disclosures and presentation of the financial statements.

Further details are set out in section two of this report.

Value for Money conclusion

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in August 2014, a report on the Inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in Buckinghamshire County Council were judged to be inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a two year strategy, to improve children's services. You are one year into this improvement strategy and, whilst progress appears on track and in line with trajectory, full completion of the improvement programme is not due to be achieved until later in 2016.

Based on our review, with the exception of the matter set out above, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2015.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

Management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

Findings

We draw your attention in particular to control issues identified in relation to the following:

- A control issue was identified in relation to the monitoring of infrastructure assets on the fixed assets system.
- A controls issue was identified in respect of schools bank reconciliations
- 7 IT control issues were identified in relation to segregation of duties for SAP users. These are not individually significant and have been communicated separately to your IT team for action.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in your use of resources have been discussed with the Director of Assurance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Assurance, the finance team and the SAP service manager.

Acknowledgment

We would like to take this opportunity to record our appreciation for the kind assistance provided by management, the finance team and other staff during our audit.

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Regulatory and Audit Committee on 15 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Key messages arising from the audit

You should be commended for the overall clarity and transparency of the format in which the financial statements are presented, which is understandable and accessible to the lay-reader. The financial statements were prepared three weeks earlier in 2014/15 than in previous periods. However, there was an increase in casting and other quality and presentation errors, in part due to the new accounting requirements around schools assets. Further revisions to your project planning and timetabling should be undertaken to ensure that adequate time is available for quality review procedures to be carried out over the draft accounts before they are submitted for audit.

We have engaged with you throughout the year in relation to a number of challenging technical issues and judgement, including consideration of the need for group accounts, changes to the accounting policy for recognition of school assets and the accounting treatment for de-recognition of schools on transfer to Academy status.

You have made progress during the year in relation to the provision of timely and comprehensive working papers. However delays were still experienced in relation to providing evidence to support samples and key judgements and in response to audit queries.

In particular, delays were experienced in the provision of audit evidence for payroll, creditors and property, plant and equipment, the three most significant areas of account in your financial statements. Significant delays were experienced in our testing of payroll expenditure for schools using Strictly Education as a payroll provider, and a transaction listing for the year was not provided until mid-July, 6 months later than it was first requested (in January) and 3 months later than the revised agreed date of provision (in April). These delays prolong the audit process and risk incurring additional costs to the Council and, ultimately, the taxpayer. They also increase the risk that you will not be able to implement the faster close deadlines which will become a statutory requirement in future years. We will work with you during the coming year to support you in achieving the earlier deadlines, sharing our experience of best practice and lessons learnt from others who have already undertaken this journey with whom we have worked.

Notwithstanding the above issues, relationships between the audit team and finance department have remained strong, with a shared understanding of issues and underlying causes and drivers. Both teams have continued to work closely, and in partnership, to limit the impact of this situation and resolve the issues. Management has taken ownership of the issues and is committed to improvement. Furthermore, whilst the process of preparation for the audit should be strengthened, management and the finance department are effective in retaining sufficient overall strategic knowledge and experience, such that the significant accounting decisions and material account entries are appropriate and accurate, and the overall quality of the audited financial statements is high.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 14 April 2015.

Audit opinion

Our proposed unqualified audit opinion is set out in Appendix B.

Audit findings against significant risks

"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 (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</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>Although we have rebutted the significant risk presumption we are still required to perform testing to address the inherent risk of improper revenue recognition.</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<p>We have determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any evidence of management override of controls.</p> <p>In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls Substantive testing of operating expenditure payments for the year Substantive testing of year end payable balances Testing of the reconciliation of operating expenditure recorded in the general ledger to subsidiary systems and interfaces Cut off testing to assess whether transactions are recorded in the correct period and procedures to gain assurance that material goods and services received prior to the year end are correctly accrued for 	Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls Substantive testing of employee remuneration expenditure payments for the year Testing of the reconciliation of payroll expenditure recorded in the general ledger to subsidiary systems and interfaces Trend analysis and risk identification for monthly payroll costs Testing to confirm the completeness of payroll transactions and appropriate cut-off 	Subject to the satisfactory completion of outstanding work as set out on page 5, our audit work has not identified any significant issues in relation to the risk identified



Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.



Component	Nature of entity	Your group assessment	Audit approach	Assurance gained & issues raised
Adventure Learning Foundation	Charity providing outdoor education and sports services	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Care Ltd and Buckinghamshire Support Ltd	Limited companies 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	Reviewed the final reported position for 2014/15 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of the Council's group assessment
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	Reviewed the final reported position for 2014/15 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Learning Trust	Charity delivering services to schools and early year settings	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment
Buckinghamshire Museum Trust	Charity overseeing the running of Buckinghamshire County Museum	Not under the control of the Council	Reviewed governance arrangements for the charity at year-end to check whether it falls under the Council's control	Our audit work has not identified any issues in respect of the Council's group assessment

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included within your financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>You have three principal revenue streams</p> <ul style="list-style-type: none"> council tax income, which is recognised in the year that the tax was levied grant income, which is recognised in accordance with the grant, whether specific or non-specific; Income from fees and charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed 	<p>The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS)</p>	 <p>Green</p>
Estimates and judgements	<ul style="list-style-type: none"> Significant estimates and judgements include: <ul style="list-style-type: none"> group boundaries useful life of capital equipment pension fund valuations and settlements land and building revaluations expenditure accruals allowance for doubtful debt accounting treatment for the Energy from Waste scheme 	<p>On the basis of our findings from our audit procedures performed we have the following comments:</p> <ul style="list-style-type: none"> The disclosure provided within the draft accounts in relation to the accounting policy adopted for school assets and the judgement that group accounts are not required should be enhanced and shown explicitly as critical judgements. Management has agreed to enhance these judgements in the final financial statements. In all other significant respects judgements and estimates have been disclosed appropriately and adequately in accounting policies No evidence has been identified during our audit to suggest management has not exercised appropriate and reasonable judgement 	 <p>Amber</p>

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements - local authority maintained school premises</p>	<p>You have adopted an accounting policy of recognising foundation school land and building assets on the Balance Sheet and not recognising voluntary-aided and voluntary-controlled school assets, on the basis of a judgement by management with regard to the degree of control that the Council has over the use of school assets.</p>	<ul style="list-style-type: none"> We have reviewed the appropriateness of the accounting policy adopted in respect of schools land and building assets and have confirmed it to be appropriate and backed by reasonable judgement and evidence 	<p style="text-align: center;">●</p> <p style="text-align: center; color: green; font-size: 1.2em;">Green</p>
<p>Judgements – local authority maintained school academy transfers</p>	<p>You have applied an accounting policy of reversing out of the general fund all charges recognised in respect of the loss arising on the de-recognition of schools on transfer to academy status. This treatment is supported by CIPFA's supplementary commentary to LAAP bulletin 103.</p> <p>Background</p> <p>During the year three schools recognised on your balance sheet transferred to academy status, of which one, Beaconsfield High School, was owned by the school governing body and was only recognised in the accounts by virtue of the Council's control of the school as an entity. As a result of amendments to the Code for 2014/15, it was initially unclear whether the Capital Regulations permit losses relating to de-recognition assets controlled by other group entities to be reversed out of the general fund, however CIPFA have now clarified that this is possible in their supplementary commentary to LAAP bulletin 103.</p>	<ul style="list-style-type: none"> You have performed an assessment of the appropriateness of the accounting treatment to adopt in respect of the de-recognition of schools on transfer to academy status We have reviewed the appropriateness of the accounting policy adopted in respect of the de-recognition of schools on transfer to academy status and conclude it to be appropriate and backed by reasonable judgement 	<p style="text-align: center;">●</p> <p style="text-align: center; color: green; font-size: 1.2em;">Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Estimates - depreciation</p>	<p>You have estimated the depreciation charge of the year based upon the opening balance of non-current assets and do not depreciate the re-valued proportion of an asset in its first year following revaluation; under your accounting policy revaluation gains are instead depreciated in the year following revaluation.</p>	<ul style="list-style-type: none"> We have reviewed management's assessment of the impact of depreciating based upon the re-valued amount which confirms that the depreciation charge would have been reduced were it based upon the re-valued amount in 2014/15. We accept that the basis of estimation of depreciation adopted is materially appropriate in 2014/15. There is a risk that applying this basis of estimation of depreciation could result in material misstatement of the depreciation charge recognised in the accounts in future years, for example if there were significant valuation movements 	<p style="text-align: center;">●</p> <p style="text-align: center; color: yellow; font-weight: bold; font-size: 1.2em;">Amber</p>
<p>Accounting policies – land and building valuations</p>	<p>You apply an accounting policy of revaluing property, plant and equipment land and building assets on a five-year rolling programme.</p>	<ul style="list-style-type: none"> As we reported to you within our Audit Findings Report in 2013/14, we do not consider your current approach to performing asset revaluations to be in line with the CIPFA Code. The CIPFA Code, paragraph 4.1.2.35, which is based upon IAS 16 "Property, Plant and Equipment", requires councils to value all items within a class of property, plant and equipment simultaneously. This paragraph of the Code does permit a class of assets to be re-valued on a rolling basis provided that: <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a "short period"; and - the revaluations are kept up to date In our view, we would normally expect this "short period" to be within a single financial year. This is because the purpose of simultaneous valuations is to "avoid reporting a mixture of costs and values as at different dates". This purpose is not met where the revaluation programme for a class of assets straddles more than one financial year. We understand CIPFA is updating the Code of Practice in 2015/16. We will reassess your policy in 2015/16 in light of any change to the reporting framework. The approach that you have adopted is similar to many other authorities and you have demonstrated that the carrying amount of property, plant and equipment based upon these valuations does not differ materially from their fair value at 31 March 2015. 	<p style="text-align: center;">●</p> <p style="text-align: center; color: yellow; font-weight: bold; font-size: 1.2em;">Amber</p>



Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed your policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient




Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Regulatory and Audit Committee and been made aware of low-level frauds identified and investigated by your internal auditors. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from you.
4.	Disclosures	<ul style="list-style-type: none"> Our review found that your disclosures in relation to the judgements regarding group accounts, recognition of school land and buildings, and de-recognition of school land and building assets on transfer to Academy status, provided in the draft financial statements, should be enhanced and disclosed explicitly as critical judgements. Management have agreed to enhance these disclosures in the final version of the financial statements. Our review also identified that additional disclosure was required to show a breakdown of items included within the "Adjustments to net surplus on deficit on the provision of services for non-cash movements" and "Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities" lines in the cash flow statement. These and other disclosure and misclassification amendments are detailed on page 22.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from Dexia Crédit Local, Europäische Pfandbrief, Greater Manchester Pension Fund and the Public Works Loans Board for loans and requested from management permission to send confirmation requests to counterparties for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards, as set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<ul style="list-style-type: none"> We have noted that you do not separately show individual transport infrastructure assets on the fixed asset system, but rather record a single cumulative total for the year. This means that in the event of significant impairments of transport infrastructure assets occurring it would be difficult to establish the proportion of the carrying value of infrastructure assets that had become impaired 	<ul style="list-style-type: none"> Separately identify transport infrastructure assets on the fixed asset system
2.	 Deficiency	<ul style="list-style-type: none"> We have identified errors on two school bank reconciliations whereby payroll expenditure for the schools in question for a portion of the year was not posted to the schools' cash accounts. In both cases this error related to schools that previously used the external payroll provider Strictly Education that have transferred back to your main payroll. This was also an issue in 2013/14 (see page 19) 	<ul style="list-style-type: none"> Ensure further progress is made to resolve the issues identified around school bank reconciliations
3.	 Deficiency	<ul style="list-style-type: none"> We have identified 7 separate control weakness in relation to segregation of duties and user access rights on SAP. These are not individually significant and we have communicated these issues to your IT team 	<ul style="list-style-type: none"> Resolve the segregation of duties and user access rights issues identified on SAP

Assessment

 Significant deficiency – risk of significant misstatement



Deficiency – risk of inconsequential misstatement

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> We identified that dummy journals were posted in order to activate ledger codes. We recommended that 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 	<ul style="list-style-type: none"> Management has confirmed that officers have ceased the practice of posting such journals We have performed risk-based testing of journal entries and have not noted evidence of any such journal entries for 2014/15
2.	✓	<ul style="list-style-type: none"> We identified that supporting documentation was not held on SAP for 7 manual journals that we selected for testing. We recommended that supporting documentation should be maintained for all manual journal postings 	<ul style="list-style-type: none"> We have confirmed that you have taken steps to ensure that supporting documentation is held on SAP in relation to all manual journal postings We have performed risk-based testing of journal entries and have obtained appropriate supporting evidence for all journal entries in our sample
3.	✓	<ul style="list-style-type: none"> We identified that there had been incorrect coding of recharges on the ledger as if they were genuine income and expenditure transactions. You identified and removed all material recharges from all County income and expenditure codes and we recommended that you undertake an exercise to address recharge mispostings on school income and expenditure codes 	<ul style="list-style-type: none"> We have confirmed that you have identified and removed all material recharges from all County income and expenditure codes and that you have corrected all significant recharge mispostings on school income and expenditure codes.
4.	✓	<ul style="list-style-type: none"> During our work on your creditor balances we found a number of very old creditors and also debit balances. We recommended that you analyse your creditor balance to remove any debit balances and / or aged balances which are no longer relevant 	<ul style="list-style-type: none"> We have substantively tested year end creditor balances and have not noted any concerns in relation to old creditors and debit balances within creditors.

Assessment

- ✓ Action completed
- X Not yet addressed

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
5.	✓	<ul style="list-style-type: none"> We noted during testing that there is no way to obtain a listing of school employee leaver forms from outside the HR system, which makes it difficult to gain assurance over the completeness of school leavers, heightening the risk that an employee continues to be paid after leaving employment beyond their contract. We recommended that you implement a system to provide assurance that all school leavers are processed on the HR system 	<ul style="list-style-type: none"> Management have confirmed that a new system for processing school leaver forms has been implemented during the year We have tested payroll expenditure for the year inclusive of employee remuneration expenditure for leavers and have identified no instances of remuneration for leavers having been calculated incorrectly
6.	X	<ul style="list-style-type: none"> We identified a number of issues with school three-way bank reconciliations: some were only a two-way reconciliation, not all were performed on the 31st March, some bank figures used did not agree to the bank statements, and some contained old reconciling items which have not been cleared. We recommended that you take steps to ensure that school bank reconciliations are prepared appropriately and consistently 	<ul style="list-style-type: none"> Though we have noted that the quality of school three-way bank reconciliations has improved compared to 2013/14, we have identified errors on two school bank reconciliations whereby payroll expenditure for the schools in question for a portion of the year was not posted to the schools' cash accounts Further progress is required in order resolve the issues identified around school bank reconciliations

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of required adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which management has agreed to amend in the final financial statements.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Adjustment to defined benefit pension scheme charges for the year due an error in apportioning the element that relates to Buckinghamshire Care	(2,007)	2,007	(2,007)
2 Adjustment in relation to gains from increases in fair value of Available for Sale Financial Assets *	(625)	625	–
Overall impact	(2,632)	2,632	(2,007)

* This figure affects the Total Comprehensive income and expenditure, but not Net Expenditure

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Regulatory and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 The re-valued portion of assets as at 1st April 2014 have not been depreciated in the year of revaluation (2014/15). Depreciating these re-valued assets would decrease your depreciation charge by £1.193m. In this scenario your impairment figure would rise to arrive at the same net book value of your revalued assets, meaning that there would be no net impact on your balance sheet. A portion (£224k) of the increased impairment charge to the CI&E account would be offset by past revaluations by a transfer from the revaluation reserve, so the net impact on the CI&E would be to reduce expenditure by £224k.	(1.193) depn charge 1.193 impairment charge (224) revaluation reserve	1.193 depn charge (1.193) impairment charge	The calculation of depreciation is based on a number of accounting estimates. The Council's policy (as stated within the Accounting Policies and previously agreed by members) is to depreciate based on the opening book value of assets. It would now not be practical to re-open the ledger to alter the depreciation approach for this year, however this could be considered for future years.
2 The original model to support the long-term receivable for re-provisioning of social care cannot be located. A second updated model has been prepared to support the basis of the recognition of the receivable in material terms, but this value has not been used in the accounts. Adjusting the carrying value of the receivable to agree to the new model would reduce the receivable by £1.178m.	1,178	(1,178)	The calculation of the long-term debtor is based on a number of accounting estimates (for example the rate of inflation and the discount rate). The re-provisioning calculation dates back to 2005/06 and although the original model cannot be located, this does not mean that the original values provided an inaccurate estimation of the value of the transfers.
Overall impact	(954)	(1,178)	

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to correct in the final financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Accounting policies	A number of accounting policy disclosures that belong in the main body of the accounts were included within the Explanatory Foreword
2 Disclosure	Comprehensive Income and Expenditure Statement	Court Services was included as a service line within the CIES, this is not in line with the Service Reporting Code of Practice (SeRCOP)
3 Disclosure	Balance Sheet	The comparative "third balance sheet" for 2012/13 was stated as showing the position as at 31 st March 2013, not 1 st April 2013 as is required
4 Disclosure	Cash Flow Statement	No note disclosure was provided to show breakdowns of items included within the "Adjustments to net surplus or deficit on the provision of services for non-cash movements and "Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities" lines in the Cash Flow Statement
5 Disclosure	Cash Flow Statement	The "Repayments of short and long-term borrowing" line within the Investing Activities section in draft Cash Flow Statement for £(3,065) was incorrect as it showed the net cash movement in relation to borrowings; "Repayments of short and long-term borrowing should instead be £11,935k, with a separate line item "Cash receipts of short and long-term borrowing" for £15,000k included within the Cash Flow Statement
6 Disclosure	Critical Judgements	No disclosure in relation to the judgements regarding group accounts, recognition of school land and buildings and de-recognition of school land and building assets on transfer to Academy status was provided in the critical judgements section. These judgements were disclosed elsewhere in the accounts but they warrant inclusion as critical judgements due to their importance to the financial statements
7 Disclosure	Critical Judgements	Change to Highways infrastructure assets estimate from £3.5bn to £9.1bn. The original figure was for infrastructure only (i.e. excluded the land figure).

Misclassifications & disclosure changes (continued)

	Adjustment type	Account balance	Impact on the financial statements
8	Disclosure	Members' Allowances	Member employers NI and employers pension contributions totalling £100k were included within members' salaries disclosed within Note 8 – the Code requires that members' salaries paid to members be disclosed, not the total cost inclusive of employer on-costs
9	Disclosure	Financial Instruments	The fair value of financial liabilities as at 31 st March 2015 was disclosed as £329,696k within Note 20 but should be £331,426k
10	Disclosure	Related Party Transactions	Payments made to Buckinghamshire County Museum Trust and Buckinghamshire Learning Trust were disclosed as £390k and £7,940k within Note 9 but should be £645k and £11,560k respectively
11	Misclassification	Collection Fund Adjustment Account	There was a misclassification of £1,051k between the council tax and business rates adjustments posted to the Collection Fund Adjustment Account disclosed in Note 25
12	Disclosure	Various	A number of casting errors were noted within the draft statement of accounts and have been amended
13	Disclosure	Various	A number of other minor disclosure errors were identified and have been amended

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes your responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in your use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

You have proper arrangements in place for securing financial resilience – you have robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables you to continue to operate for the foreseeable future.

You have proper arrangements for challenging how you secure economy, efficiency and effectiveness – you are prioritising your resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work confirmed that you continue to have proper arrangements in place for securing financial resilience.

Challenging economy, efficiency and effectiveness

We have considered your arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in August 2014, a report on the Inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in Buckinghamshire County Council were judged to be inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a two year strategy, to improve children's services. You are one year into this improvement strategy and, whilst progress appears on track and in line with trajectory, full completion of the improvement programme is not due to be achieved until later in 2016.

Overall VfM conclusion

Based on our review, with the exception of the matter set out above, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess your performance against the Audit Commission's criteria.

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings
<p>Key indicators of performance</p>	<p>Your key financial indicators demonstrate a track record of strong performance and a stable financial position. Budgetary control is strong, usable reserves levels are adequate in the short term and the Council has appropriate levels of short term cash and cash equivalents.</p> <p>You finished the financial year with a net overspend of £1.16m on revenue expenditure, of which £1.14m was due to your additional spend on Children's Services. This outturn was achieved after your planned use of £11m of reserves. Continually using reserves at this magnitude is not sustainable and you plan to reduce reserves utilisation to £1.4m for 2015-16 and then lower still in the next two years of the Medium Term Financial Plan.</p>
<p>Strategic financial planning</p>	<p>The Medium Term Financial Plan assumes that efficiencies of £15.1m can be achieved due to staff restructuring and use of new delivery vehicles from Future Shape. You have budgeted for savings of £3m to be achieved in 15-16 from service reductions. The Medium Term Financial Plan also depends on generating £2.8m of additional income in 15-16 via developing commercial income streams and making better use of property assets to generate income. This financial outlook is set against expected reductions in government funding (£25.6m reduction in un-ringfenced grants and NNDR from 2014-15 levels is predicted by 2017-18).</p> <p>Although you face a lot of challenges you have a strong track record of delivering to budget and have clearly identified savings and where you hope to generate additional income to close the budget gap over the next three years.</p>

Theme	Summary findings
Financial governance	You have sound arrangements in place in respect of financial governance. You are examining some of the newer governance structures derived by Future Shape and you are further strengthening your risk management strategy and performance management processes. Council meeting minutes demonstrate a good level of member challenge and engagement.
Financial control	You have a strong recent track record on delivering budgets and savings plans, which is indicative of a robust financial control framework. Internal audit have given a positive opinion on the internal control environment and this has been reflected in our work on the external audit of the financial statements and the value for money conclusion.
Prioritising resources	You are continuing to transform service delivery through implementation of your innovative Future Shape programme and are forecasting transformation savings of £7.1m to be attained annually by 2017/18. You have maintained appropriate governance arrangements around your wholly owned delivery models such as Buckinghamshire Care Ltd and have demonstrated adequate monitoring and oversight of expenditure in all major service lines. You have also undertaken steps towards forming a strategic alliance with surrounding authorities to take on additional responsibilities and funding from central government around transport and planning services as part of the government's devolution agenda.
Improving efficiency & productivity	You have been responsive to the findings of the Ofsted report. You have worked to change your strategic and operational structures to overcome the challenges faced by the service, and worked to implement the recommendations put forward by RedQuadrant (the improvement partner appointed by the Department for Education). You have an improvement plan and scorecard in place. You have set up an Improvement Board with an independent Chair which meets every month to focus on seven improvement work-streams. You have involved external partners in the improvement process and circulate minutes to the One Council Board, Education & Social Care Select Committee and Cabinet. Some of your successes have been to implement a more robust structure within the service, develop a more consistent method of assessing case files, reduce the backlog of cases and reduce the reliance on agency staffing. You are making good progress with your plan to make sure practice meets the 'good' standard set out by the Ofsted framework by January 2016, but there are a number of areas where the service is still falling short of national targets. Progress appears on track and in line with your trajectory, and a significant amount of work has been undertaken. However, you recognise you are at present only part way through the improvement journey in ensuring the service is fit for purpose in all respects.

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	117,450	117,450
Buckinghamshire Care Group	18,000	TBC
Total audit fees	135,450	TBC

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 Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees for other services {include all fees non audit fees for subsidiaries}

Service	Fees £
Audit related services	
Certification of Teachers' Pension Return	7,000
Non audit related services	
Tax services for Buckinghamshire Care and Buckinghamshire Support	20,000

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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 your 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 your responsibility 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 you are fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
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 issues 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Resolve the segregation of duties and user access rights issues identified in SAP	Medium	We have been progressing the recommendations and currently 3 out of 7 are fully complete. The remaining recommendations are in progress.	31 December 2015 Adrian Clarke
2	Separately identify transport infrastructure assets on the fixed asset system	Medium	We have initiated a project to implement the changes required by the 2016/17 Code of Practice for Transport Infrastructure Assets. This will include separate identification of appropriate groups of assets on SAP for the 2016/17 Statement of Accounts.	31 March 2016 Elspeth O'Neill
3	Ensure further progress is made to resolve the issues identified around school bank reconciliations	Medium	We are reviewing the current issues and will update procedures and monitoring as a result.	30 November 2015 Clare Bradshaw

Priority
High, Medium or Low

Appendix B: Audit opinion

We anticipate we will provide you with a modified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL

We have audited the financial statements of Buckinghamshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Buckinghamshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Assurance and auditor

As explained more fully in the Statement of the Director of Assurance's Responsibilities, the Director of Assurance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Assurance and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire County Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis of qualified conclusion

In seeking to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In August 2014, a report by Ofsted concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children's Board in the Buckinghamshire area were judged to be 'inadequate'. This judgement is evidence of weaknesses in the arrangements for improving efficiency and productivity.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects, Buckinghamshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Buckinghamshire County Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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September 2015



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