

Regulatory and Audit Committee 27 April 2016

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18th April 2016

Dear Richard,

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until the end of 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, in cases where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

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Should these assumptions prove not to be the case, fees may be outside of these parameters.

PSAA have proposed that 2016/17 scale audit fees (excluding work to be completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. Your scale fee for 2016/17 has been set by PSAA at £88,088.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether a council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Pension Fund audit

PSAA has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £25,033. Our work on the pension fund will be undertaken between January and July 2017 by our specialist pension fund audit team, led by Emily Hill.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	22,022
December 2016	22,022
March 2017	22,022
June 2017	22,022
Total	88,088

Pension Fund audit	
March 2017	25,033

Outline audit timetable

We will undertake our audit planning and interim audit procedures between December 2016 and March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2017 and work on the whole of government accounts return in August 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2016 – January 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of your accounts and VfM arrangements.
Final accounts audit	June 2017 – July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June 2017 – July 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2017	Opinion on the WGA return	This work will be completed following the accounts audit.
Annual audit letter	December 2017	Annual audit letter	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Paul Grady	020 7728 2301	paul.d.grady@uk.gt.com
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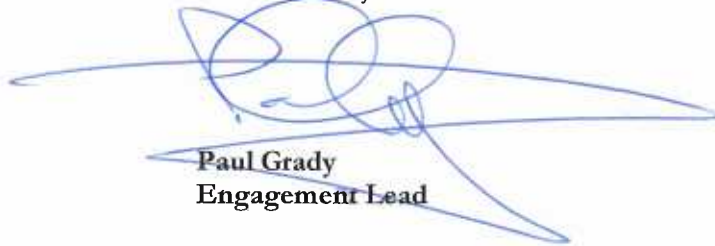
Additional work

The scale fee excludes any work you may request that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner, via paul.dossett@uk.gt.com.

Yours sincerely



Paul Grady
Engagement Lead

For Grant Thornton UK LLP

External Audit Progress Update for Buckinghamshire County Council

Year ending 31 March 2016

27 April 2016

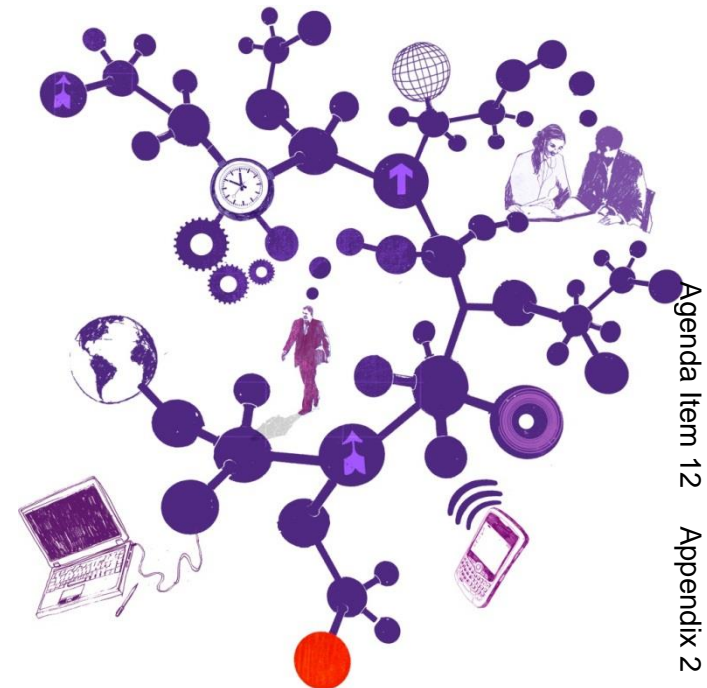
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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27 April 2016

Dear Members of the Regulatory and Audit Committee

External Audit Progress Update for Buckinghamshire County Council for the year ending 31 March 2016

This report updates you on the latest position in relation to completing our work for the 2015/16 financial year and, in particular, management's preparations for delivering a successful early close. Since we reported the Audit Plan to you on 3rd February we have undertaken a significant amount of early testing, representing an increase in early work from previous years, with a view to supporting your agenda of closing the audit early in 2015-16. This was in line with early discussions and the project plan agreed with the finance team.

Overall the visit was a success and a significant volume of early testing work was completed. Arrangements have worked well and significant progress was made toward 'de-risking' the early close ambition in July. Relationships with the finance team and management were constructive and helpful.

An element of risk remains. There are two areas where the finance team was not able to provide us with supporting evidence within the agreed timescale. Details of these areas are on the next page. These unresolved areas place additional pressure on the work required in June and July and increase the risk of not achieving the early close ambition. Importantly, it should be noted that if similar challenges were presented in June / July, these would prevent us from being able to conclude our work in accordance with the early close timetable.

To mitigate this risk we have held constructive meetings with the finance team and agreed a number of actions. The finance team have agreed to speak to departments within the Council who are historically slow in responding to their requests, and impress upon them the importance of the early close timetable. External organisations which the finance team relies on to provide information for the financial statements have been identified and contacted early. We have also agreed a meeting in order to clear some of the backlog of work ahead of the July visit, with a view to reducing the risk the backlog work may have on the early close timetable.

We are happy to answer further questions Members may have.

Paul Grady

Engagement Lead

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Progress at April 2016 (continued)

Work	Planned date	Complete?	Comments
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing for the first nine months of the financial year, specifically testing on: <ul style="list-style-type: none"> - employee remuneration (main payroll) - employee remuneration (schools payroll) - operating expenditure - fees, charges and other income - capital additions expenditure - existence of property, plant and equipment - journal entries • continuing risk assessments for our Value for Money conclusions. 	<p>18 January – 29 January 2016</p>	<p>See comments</p>	<p>The timetable of work agreed with the finance team in January is substantially complete with the exception of the following areas:</p> <ul style="list-style-type: none"> • Property, plant and equipment testing - our testing identified that a vehicle asset had been sold in 2013 and incorrectly left on the Fixed Asset Register. The finance team has investigated this and identified the cause of the issue identified. However, we are yet to be provided with evidence relating to the investigation performed and thus are not yet able to conclude this testing. • Main payroll testing – we are yet to receive responses from payroll to a number of queries that we raised in relation to this testing. A meeting has been arranged on 27/04/2016 to allow clearance of these issues.

Progress at April 2016 (continued)

Work	Planned date	Complete?	Comments
<p>2015-16 final accounts main audit</p> <p>Including:</p> <ul style="list-style-type: none"> • top-up testing of areas commenced at interim audit • complete audit work on other areas of the 2015-16 financial statements • proposed opinion on county and pension fund accounts • proposed Value for Money conclusion. 	June - July 2016	No – not yet due	We plan to start our final accounts audit visit in June 2016. We will report our findings from this work to the Regulatory and Audit Committee in July via our Audit Findings Report.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015-16 VfM conclusions is established via risk assessments completed throughout the year and at the interim accounts visit.</p>	October 2015 – July 2016	No – not yet due	We outlined our VfM work in our Audit Plan presented to the February 2016 Regulatory and Audit Committee. Work is ongoing and we will report our findings to the Regulatory and Audit Committee in July via our Audit Findings Report.
<p>Whole of Government Accounts (WGA)</p> <p>Work on WGA will commence alongside the final accounts audit with a view of completing this by the end of July 2015.</p>	July 2016	No – not yet due	
<p>Teachers Pensions</p> <p>We will review the Teachers Pensions return after completion of the accounts audit with a view to issuing our conclusion by the end of September 2015</p>	September 2016	No – not yet due	



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