

The Audit Findings Report for Buckinghamshire County Council

Year ended 31 March 2016

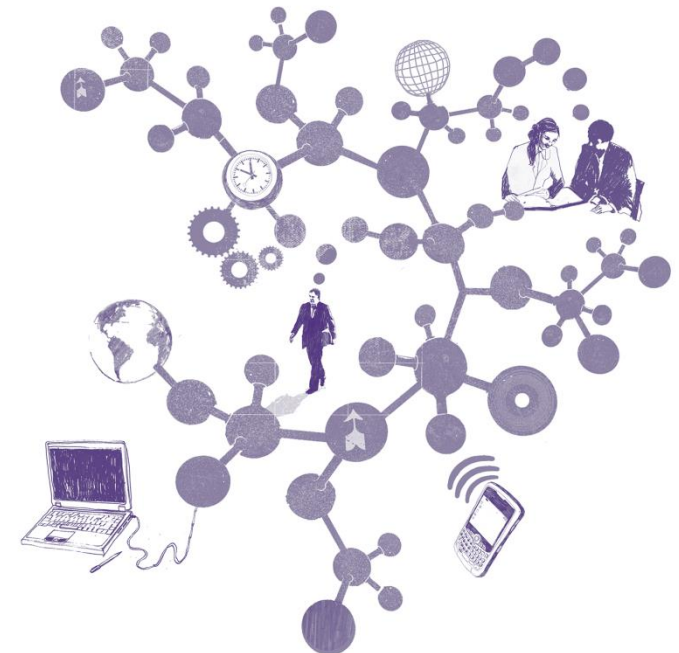
28 July 2016

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28 July 2016

Dear Chairman and Members of the Regulatory and Audit Committee

Audit Findings for Buckinghamshire County Council for the year ending 31 March 2016

This Audit Findings report highlights the key 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, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.

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. These are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. 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

01. Executive summary

02. Audit findings

03. Value for Money

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Purpose of this report

This report highlights the key issues affecting the results of Buckinghamshire County Council ('the Council' or 'you') and the preparation of your financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, your financial statements give a true and fair view of your financial position and your income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects you have put in place proper arrangements to secure value for money through economic, efficient and effective use of your resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by you or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by you and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 3rd February 2016.

Our audit is substantially complete. At the date of writing this report we are finalising our procedures in the following areas:

- obtaining and reviewing outstanding bank and investment confirmations, including in respect of schools
- completion of testing of management's exercise to identify fully depreciated IT and software assets that have not been derecognised from your fixed asset register
- receipt, review and testing of management's exercise to identify errors in the Fixed Asset Register of useful lives for land and buildings, and the impact of this error in misstating depreciation
- receipt and review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- receipt and review of revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

Key audit and financial reporting issues

Financial statements opinion

We have identified one adjustment affecting your reported financial position, being amendment to the depreciation charge for the year of £4.0m. We identified one unadjusted misstatements which has not been made to the accounts relating to the carrying value of the long term Adult Social Care re-provisioning receivable. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- the draft accounts were prepared to a high standard of quality with only minimal audit findings arising from our work
- working papers provided were generally of a good quality standard and were provided on time at the start of the audit
- the bringing forward of the accounts preparation process to achieve early closure of the audit has been largely successful. There remain some areas of improvement in the underlying controls and in relation to schools reconciliations. Subject to the clearance of the outstanding matters, we anticipate completion of the audit by the end of July, two months earlier than in previous years.

Further details are set out in section two of this report. We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- whether the Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

Your 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:

- There were a number of vehicles included within the opening balance as at 1 April for property, plant and equipment that had been disposed of in previous years but not written out of the asset register, due to a member of staff not following your control processes in relation to asset disposals.
- There are no processes or controls in place for ensuring that the asset register is updated for IT equipment that has been taken out of use and needs to be de-recognised.
- We have identified that a large number of useful lives for land and building assets recorded on the Fixed Asset Register were not recorded correctly.
- A number of school bank reconciliations were not prepared on time and did not set out a proper reconciliation to the general ledger.
- For vehicles, plant, furniture and equipment assets we found one case where records could not be provided to show on what basis an appropriate useful life had been determined.
- Seven IT control issues were identified in relation to segregation of duties for SAP users.

Further details are provided within section two of this report.

Value for Money

Our review of your arrangements to secure economy, efficiency and effectiveness has considered the following issue which will give rise to a qualified/adverse VFM conclusion.

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 have made significant progress to date in addressing the arrangements that led to the inadequate rating. In October 2015, you asked the LGA to undertake a peer review of your children's services to measure progress since the Ofsted inspection. This review identified that there have been some clear improvements while also highlighting a number of areas where further development was needed. Furthermore, in January 2016, the Department for Education undertook an independent case review at the Council and recognised that there are signs of progress. The Department also noted that additional progress was needed in terms of ensuring consistency of social work practice and in articulating a clear vision and strategy for children's services.

That there have been improvements in the arrangements during 2015/16 is evident. Full completion of the improvement programme is not due to be completed until later in 2016/17 and, as such, you remain in the process of bringing arrangements into line with required standards. As was communicated to you in February 2016 by the Minister of State for Children and Families, in light of the findings from the DFE review, the Department has chosen to maintain their current level of intervention in relation to the children's services function, while also recognising the significant efforts that you are making to address the weaknesses which Ofsted identified.

Based on our review, with the exception of the matter set out above in relation to arrangements for management of children's services, 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 2016.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audit and our review of your arrangements for securing economy, efficiency and effectiveness in its 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 at Appendix A. Recommendations have been discussed and agreed with the Director of Assurance and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

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05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £15,206k (being 2% of 2014/15 gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £760k. This remains the same as reported in our audit plan.

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 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; and • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable. <p>We have tested all of your material revenue streams and have noted no indicators of fraudulent transactions from our work performed.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in response to this risk:</p> <ul style="list-style-type: none"> • risk-based testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. 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 judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment You revalue your assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Agreement of revaluation adjustments to the report of the external valuer • Review of the appropriateness of the methodology and assumptions applied in performance of revaluations • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with your external valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into your asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>We have noted a £2m presentational error in relation to the upward and downward revaluation movements to the revaluation reserve arising from the revaluation exercise as disclosed within Note 26 "Unusable Reserves" (see page 22 of this report for further details).</p> <p>We have identified errors in the useful lives recorded on your fixed asset register. These will result in errors in the depreciation charged and, therefore, the net book value of your assets. We are awaiting management's updated working papers to be able to ascertain the value of this error. We do not anticipate the error will be material.</p> <p>In all other respects, subject to the completion of outstanding matters above and as set out on page 5, our audit work has not identified any significant issues in relation to the risk identified.</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
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Testing of operating expenditure payments • Testing of year end payable balances • Procedures to test whether the cut-off of expenditure is appropriate 	<p>We identified three separate errors during our sample testing of operating expenditure.</p> <ul style="list-style-type: none"> • A receipt of £4,333 received in October 2015 in respect of a deceased client to be paid on to their family was incorrectly not recognised as a payable balance at year end • An accrual for gas invoices payable at a school was understated by £1,200 due to an error in calculation • Expenditure of £28,075 was recognised in 2015/16 in respect of services received in March 2015 that had incorrectly not been accrued for at the 2014/15 year end. <p>In response to these issues we performed additional work and have satisfied ourselves that none of the issues identified are indicative of material misstatements of the accounts. As such we have not reported any of these points in detail and have not requested any amendment to the accounts in respect of the findings noted. Our audit work has not noted any other issues in relation to the risk identified in relation to operating expenses.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Completed a trend analysis and risk identification for monthly payroll costs • Tested payroll payments, assessing whether payments are made in accordance with the individual's contract of employment 	Subject to the satisfactory resolution of outstanding matters 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	Review 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 your group assessment.
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 the expected final reporting position for 2015/16 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of your 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	Review the expected final reporting position for 2015/16 to confirm whether the company is material to the Council's accounts	Our audit work has not identified any issues in respect of your group assessment.
Buckinghamshire Learning Trust	Charity delivering services to schools and early year 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	Our audit work has not identified any issues in respect of your group assessment.
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	Our audit work has not identified any issues in respect of your group assessment.



Accounting policies, estimates and 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 with the Council's financial statements.

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 management's assessment and are satisfied that the going concern basis is appropriate for the 2015/16 financial statements.	 Green
Revenue recognition	You have three principal revenue streams <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 the title to goods has passed 	The revenue recognition policies are appropriate and in accordance with the CIPFA Code and International Financial Reporting Standards (IFRS).	 Green

Assessment

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates</p>	<p>Significant estimates and judgements include:</p> <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 for re-provisioning of social care long-term receivable • Financial instruments fair values • Accounting treatment for the Energy from Waste scheme 	<ul style="list-style-type: none"> • From our testing of depreciation we have noted that remaining useful lives had been recorded incorrectly for a number of land and building assets. • In response to our finding your finance team undertook a review and found for a number of land and building assets listing on the Fixed Asset Register the remaining useful life had been recorded incorrectly. Management have proposed to amend the accounts in response to this issue and as at the time of publication of this report the exercise to post the necessary adjustments to the Fixed Asset Register was still in progress. • For the fair value disclosures for financial instruments set out within Note 21, your advisor Arlingclose has prepared the fair value estimate for Public Works Loans Board (PWLB) loans using an assumption that a market rate of interest for similar loans is the most applicable discount rate to use when estimating fair value. We consider that the interest rate on offer by PWLB for new loans as at 31 March is a more appropriate discount rate to use. We have calculated our own fair value estimate for your PWLB loans as at 31 March 2016. In our view, the fair value of your loans is £8.6m higher than the estimate produced by Arlingclose and disclosed within the financial statements. This is not a material difference and as such we are satisfied that the estimation technique used by Arlingclose is materially correct. As this is a difference of view in respect of estimation technique, we do not consider this to be a misstatement. • 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 style="text-align: center;"> Red</p>
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.</p>	<p style="text-align: center;"> Green</p>

Assessment

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from management
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from Dexia Crédit Local, Europäische Pfandbrief, 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. As at the time of publication of this report we were still waiting for a number of our bank and investment confirmations to be returned.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the disclosures set out within the financial statements.
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. <p>We have not identified any such issues we would be required to report by exception.</p>
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we are required to examine and report on the consistency of the WGA consolidation pack with your audited financial statements. This work has not yet been undertaken due to a delay in the submission of the WGA DCT tool by the Department, which was not released to local authorities until early July. We will complete our WGA review in line with the national timetable.</p>

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, operating expenses, valuation of property, plant and equipment and valuation of the net pension fund liability as set out on pages 10 to 13 above.

The matters that we identified during the course of our audit are 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.	 Significant deficiency	<ul style="list-style-type: none"> There is no process in place for identifying fully depreciated IT assets on the Fixed Asset Register that have been disposed of and require to be written out. If disposals of IT and software assets are not identified and posted to the Fixed Asset Register, misstatement of the gross cost and accumulated depreciation balances for IT and software assets will arise 	<ul style="list-style-type: none"> Establish a process for ensuring that when IT and software assets are taken out of use or disposed of that this fact is communicated to the finance team and the Fixed Asset Register appropriately updated.
2.	 Significant deficiency	<ul style="list-style-type: none"> There were a number of vehicles included within the opening balance as at 1 April for property, plant and equipment that had been disposed of in previous years but not written out of the asset register due to an officer not following your control processes in relation to vehicle disposals. 	<ul style="list-style-type: none"> Ensure that all staff involved in the processing of asset disposals are aware of their responsibilities for recording the disposal appropriately.
3.	 Significant deficiency	<ul style="list-style-type: none"> We have noted a significant number of errors in useful lives for land and buildings input onto the Fixed Asset Register. This has led to an audit adjustment of £4.0m to the depreciation charge for the year. If useful lives are recorded incorrectly then the depreciation charge will be misstated. 	<ul style="list-style-type: none"> Ensure accurate asset useful lives are input into the Fixed Asset Register.

Assessment



-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

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.

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
4.	 Significant deficiency	<ul style="list-style-type: none"> A number of the school bank reconciliations requested as part of our testing of cash at bank did not reconcile to the general ledger. There was also significant delay in receiving one reconciliation, for Prestwood Lodge School, which had not been completed as at the time of commencement of our audit and was not completed by the school and supplied to us until early July. 	<ul style="list-style-type: none"> Ensure further progress is made to resolve the issues identified around school bank reconciliations
5.	 Deficiency	<ul style="list-style-type: none"> You have an accounting policy for basing useful lives to be recorded on the Fixed Asset Register in respect of vehicles, plant, furniture and equipment assets on the estimated useful life “advised by a suitably qualified officer”. For one asset that we tested there were no records available recording the basis for the useful life adopted. If records are not kept in relation to the basis of setting of asset useful lives then there is a risk that inappropriate useful lives will not be identified. 	<ul style="list-style-type: none"> Ensure that records are kept in all cases in relation to the basis for setting of useful lives on the Fixed Asset Register for vehicles, plant, furniture and equipment assets
6.	 Deficiency	<ul style="list-style-type: none"> We have identified seven control weaknesses in relation to segregation of duties and user access rights on SAP. These are not individually significant and we have communicated these issues to the SAP Service Manager. 	<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

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.

Adjusted misstatements

A number of adjustments to the draft accounts 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 accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Reduction in the depreciation charge for the year, arising from amendment of incorrect useful lives for buildings recorded on the Fixed Asset Register	£(3,970)	£3,970	£(3,970)
Overall impact	£(3,970)	£3,970	£(3,970)

Unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1 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 £1.8m.	1,834	£(1,834)	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	£1,834	£(1,834)	

Misclassifications and 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 set of financial statements.

Adjustment type		Account balance	Impact on the financial statements
1	Misclassification	Property, plant and equipment	We noted that the gross cost and accumulated depreciation for the “vehicles, plant and equipment” class of property, plant and equipment were overstated by £12,994k in respect of assets that had been taken out of use but not written out of the accounts.
2	Misclassification	Intangible assets	We noted that the gross cost and accumulated amortisation for intangible were overstated by £2,487k in respect of software assets that had been taken out of use but not written out of the accounts.
3	Misclassification	Revaluation reserve	There is a classification error of £2m between upward and downwards movements on the revaluation reserve arising from the in year revaluation disclosed within Note 26 “Unusable Reserves”
4	Disclosure	Financial instruments	For the financial instruments fair value disclosure figures provided in Note 12 in respect of financial liabilities, the 2014/15 comparative should be restated to ensure that the 2014/15 and 2015/16 disclosures are prepared on a consistent basis.
5	Disclosure	General disclosures	We have identified a number of other areas where minor disclosure amendments are required.

Section 3: Value for Money

01. Executive summary

02. Audit findings

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05. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that 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.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the you have put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in January 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 3 February 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. These risks identified are set out on page 23 of this report.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, we took into account the following matter:

- There have been improvements in the arrangements during 2015/16. Full completion of the improvement programme is not due to be completed until later in 2016/17 and, as such, you remain in the process of bringing arrangements into line with required standards. The Department for Education has decided to maintain the current level of intervention in respect of children's services. Accordingly, we have qualified our Value for Money conclusion in respect of Children's Services for 2015-16.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- except for the matter set out above in respect of children's services, you had proper arrangements in all significant respects.

We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources. The text of our proposed report can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Ofsted inspection of children's services Ofsted issued a report on your children's services in August 2014 which rated these as 'inadequate'. The Council is currently subject to follow up review.</p>	<p>We discussed with the Managing Director of Children's Social Care & Learning and other relevant officers developments during the year. We also reviewed reports taken to the Improvement Panel and correspondence with the Department for Education and took these into account in forming our conclusion.</p>	<p>During 2015/16, you have continued on the improvement journey to develop and improve children's services in response to the findings identified by Ofsted. You have continued to invest in developing the children's services function and have ensured that delivering the improvement plan is a key priority of the Council.</p> <p>In October 2015 you asked the Local Government Association (LGA) to undertake a Peer Review of Children's Safeguarding Services in Buckinghamshire. The review noted that improvements had been made in relation to the findings of Ofsted, but there remained a number of areas whether there is a need for further improvement, including around managing the pace of change and the need to ensure the consistency of good social work practice.</p> <p>Later in the year, the Department for Education visited to review progress and commissioned further case file auditing to be undertaken in January 2016. This review noted that in many areas your children's services function is now performing at an acceptable level, though further improvements are still required before quality of service is sufficient across all areas.</p> <p>In February 2016, the Minister of State for Children and Families sent a letter to you stating that in light of the recent reviews of performance within children's services the current level of DfE intervention at the Council would be maintained. The minister recognised that "significant efforts" had been made by the Council to address the concerns of Ofsted and that there were "clear signs of progress", but also highlighted further improvements were still needed.</p> <p>You continue to undertake work to improve your arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities. You recognise that as at the year end children's services were not yet performing consistently at a level that would be sufficient to avoid a qualified Ofsted rating. Whilst recognising the significant progress you have made in response to the Ofsted report, in line with your strategic plan your work in these areas is on-going and, accordingly, we propose to qualify our value for money conclusion in this respect.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Financial planning In light of the increasing pressures that you face, there is a risk that you will not be able to generate new revenue streams or deliver saving cuts of sufficient scale to maintain a balanced budget over the period covered by the medium term financial plan.</p>	<p>We have reviewed recent performance against the budget and have considered the reasonableness of the assumptions upon which the medium term financial plan (MTFP) is based.</p>	<p>We note that you have effective arrangements in place for financial planning and that you have performed well in 2015/16 from a financial control perspective, delivering a small overspend of £0.36m while delivering significant savings to mitigate an £11.2m reduction in central government funding compared to the previous year.</p> <p>Though overall performance against the budget was good in 2015/16, there were overspends on certain portfolio areas. In particular, there was a £2.4m overspend on the Health and Wellbeing portfolio due to pressures from increased nursing placement costs and client transport, and a £2.1m overspend on Children's Services due to increases in the number of referrals and overspend on agency staff due to continued difficulties in recruiting permanent staff. Both of these portfolios have also recorded budget overspends as at the end of quarter 1 in 2016-17. We note that you are taking steps to mitigate portfolio level overspends while ensuring that services continue to be delivered to the required standard of quality and that these overspends have been subsidised by surpluses on other portfolios and at a corporate level. However in the longer term you will need to ensure that all portfolios perform within budget and ensure accurate assumptions over demand and activity are taken into account in setting budgets.</p> <p>Though you have a strong recent track record on delivering budgets and savings plans, in common with other local authorities you face a challenging financial settlement going forward. Your revenue support grant is set to fall from just over £60m in 2013/14 to zero by 2019/20 while over the same period demand your services is forecast to increase. This will require you to continue with implementing savings plans and developing new income streams on an ambitious scale over the period covered by the medium term financial plan. You have spent considerable effort seeking to mitigate these risks in your medium term financial plans and, whilst the challenge increases year on year, have demonstrated a strong history of being able to meet these challenges and delivering planned financial targets.</p> <p>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Contract management There is a risk that your contract management procedures do not allow you to procure and monitor supplies and services effectively.</p>	<p>We have reviewed committee reports and other relevant document, including the reports of internal audit, relating to the contract management arrangements in place. We have also reviewed documents relating to the Better Care Fund arrangements established in year with your health partners.</p>	<p>During the year, you have taken significant steps to improve arrangements for effective contract management. In 2014/15, internal audit noted a number of concerns around use of the Contract Management Application and highlighted that controls for monitoring contracts through the system were not effective. We note that management have appropriately responded to these findings and that contract management arrangements have improved during 2015/16.</p> <p>Another area of concern that has been brought to attention from the work of internal audit is deficiencies around contract management relating to services commissioned from Alternative Delivery Models. This was in response to concerns noted around the adequacy of governance arrangements and contract monitoring in respect of Buckinghamshire Learning Trust. New arrangements have been implemented in response to these findings to strengthen contract management arrangements relating to alternative delivery models and as such we have no residual Value for Money concerns to report in relation to this issue.</p> <p>2015/16 has also seen the commencement of the Better Care Fund arrangements for Buckinghamshire. This has seen the establishment of a pooled budget with NHS Aylesbury Vale and NHS Chiltern Clinical Commissioning Groups, with the County acting as the host. We have noted no significant concerns in relation to contract management in the context of the new Better Care Fund structures and arrangements.</p> <p>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Future Shape There is a risk that governance arrangements in relation to the roll-out of the Future Shape project and the extension of the programme to adults' and children's services will not be sufficient to deliver strategic priorities.</p>	<p>We have reviewed committee reports and other relevant documents relating to the roll-out of Future Shape including plans relating to the roll-out of Future Shape to adults' and children's services.</p>	<p>Future Shape is an innovative programme for transformation of service delivery that aims to re-shape how you operate to give the Council a more entrepreneurial and commercial culture and to allow you to develop a more lean and flexible workforce. Given the current challenging financial settlement that you face, the Future Shape programme is key to helping you become more self-sufficient and less reliant on central government funding.</p> <p>Future Shape went live for all directorates of the Council except adults' and children's services on 1 April 2015. Overall we can see that the programme has largely been a success and based upon our discussions with officers we note that the expected cultural changes and new ways of working are becoming embedded.</p> <p>The Future Shape programme went live for children's and adult's services on 1st April 2016. We have reviewed the business cases for their implementation and are satisfied that the governance arrangements in place in relation to the implementation are reasonable.</p> <p>We note however that the Future Shape implementation has exposed some legacy weaknesses in systems of internal control. This has led to 50% of audits completed by internal audit in 2015/16 being given "limited assurance" opinions and resulted in the Chief Internal Auditor issuing a qualified Head of Internal Audit opinion for the year. We have reviewed internal audit reports for the year and are satisfied that none of the issues identified by internal audit are on a sufficient scale to give rise to a need for qualification of our Value for Money conclusion, but nevertheless we highlight this as an area of concern where further improvement is required.</p> <p>On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

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04. Fees, non audit services and independence

05. Communication of audit matters

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

Fees

	Proposed fee £	Final fee £
Council audit	88,088	88,088
Audit of Buckinghamshire Care Group	18,000	18,000*
Total audit fees (excluding VAT)	106,088	106,088

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

* the audit of Buckinghamshire Care is currently in progress and the final fee will be determined on completion of the audit

Fees for other services

Service	Fees £
Audit related services:	
Certification of teachers pension return and testing of Skills Funding Agency sub-commissioning arrangements	11,000
Non-audit related services:	
Tax services for Buckinghamshire Care group	3,750

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.

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

Section 5: Communication of audit matters

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05. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 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.

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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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 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		✓
Non compliance with laws and regulations		✓
Expected modifications to 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

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that all staff involved in the processing of asset disposals are aware of their responsibilities for recording the disposal appropriately	High	Asset disposal process notes will be updated to ensure they are complete. Refresher training will be provided at year-end.	Update of process notes by 30 September 16 Refresher training 31 March 2017. Elspeth O'Neill Financial Accountancy Manager
2	Implement a process for ensuring that the asset register is updated for IT equipment that has been taken out of use	High	Asset disposal process notes will be updated to include IT equipment. Year-end process to incorporate analysis of asset additions for potential de-recognition plus confirmation from the Chief Information Officer (CIO).	Update of process notes by 30 September 16 Elspeth O'Neill Financial Accountancy Manager
3	Ensure accurate asset useful lives are input into the Fixed Asset Register	High	Revaluation process notes will be updated to include adjustment for expired useful economic life.	Update of process notes by 30 September 16 Elspeth O'Neill Financial Accountancy Manager
4	Ensure further progress is made to resolve the issues identified around school bank reconciliations	High	We will report all missing or incomplete Schools 3-ways recs on a termly basis as part of the Assurance checklist to FD and Director of Assurance and tighten up year-end processes. Further control improvements will be implemented following the upcoming internal audit of this area.	30 September 2016 Clare Bradshaw
5	Ensure that records are kept in all cases in relation to the basis for setting of useful lives on the Fixed Asset Register for vehicles, plant, furniture and equipment assets	Medium	The process notes for asset additions will be updated to include attaching a record for the basis for useful lives for assets not covered by Fleet and ICT asset registers	Update of process notes by 30 September 16 Elspeth O'Neill Financial Accountancy Manager
6	Resolve the segregation of duties and user access rights issues identified in SAP	Medium	We have developed an action plan to address the 7 control weaknesses and are monitoring the implementation through the SAP governance Board.	Completion due by 31 December 2016. Mark Preston, Finance Director BSP.

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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Responsibilities for the Statement of Accounts, 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 2015/16, which 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 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 Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the Authority has made proper arrangements. 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

In August 2014, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate.

Reviews of children's services undertaken by the Local Government Association in the form of a peer review in October 2015 and the Department of Education in January 2016 found that progress had been made in response to the Ofsted findings, but that further improvements were required in a number of areas.

Following these reviews, the Minister of State for Children and Families wrote to the Authority in February 2016, confirming that, although the Authority had made "significant efforts" to address the recommendations made by Ofsted, further improvements were still needed, and the Authority remained subject to intervention by the Department for Education.

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

Grant Thornton House
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To be dated 2016



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