

Regulatory and Audit Committee

| | |
|--------------------------------|--|
| Title: | Audited Statement of Accounts and Audit findings report for Buckinghamshire County Council and Pension Fund. |
| Date: | Thursday 28 July 2016 |
| Author: | Richard Ambrose –Director of Assurance |
| Contact officer: | Elsbeth O'Neill – Projects & Financial Accountancy Manager Telephone (01296) 382130 |
| Local members affected: | All |

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

To present Grant Thornton's draft report on any significant findings from its audit of the Council's Statement of Accounts and Pension Fund.

On 25 May 2016 this Committee received the Unaudited Statement of Accounts for the Council and Pension Fund. At that stage the audit of the accounts had not commenced. Grant Thornton has now substantially completed this work. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in their Audit Findings Report for 2015-16.

Subject to the satisfactory resolution of the normal audit processes, we anticipate that Grant Thornton will provide **an unqualified opinion** on the financial statements for the Council and Pension Fund.

Value for money conclusion

The Council is responsible for putting 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.

Grant Thornton provide a VFM conclusion based on whether the Council has proper arrangements in place for securing financial resilience and whether the Council has proper

arrangements for challenging how it secures economy, efficiency and effectiveness in the prioritisation of resources.

In August 2014, a report on the Inspection of Children's services concluded that, overall, children's services in the Council were judged to be inadequate. Grant Thornton has recognised the responses made to the issues identified and the actions undertaken as part of a two year strategy to improve children's services. Whilst progress has been made full completion of the improvement programme is not due until later in 2016/17 and the Department has chosen to maintain their current level of intervention in relation to the children's services function. Based on their review, with the exception of this issue set out above, Grant Thornton have indicated that they are satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2016.

Recommendation

That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2015-16 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2016 can be signed by the Chairman of this Committee.

That the Committee approves the Letters of Representation on behalf of the Council and Pension Fund and agrees that it can be signed by the Chairman of this Committee.

That the Committee agrees the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.

Statement of Accounts – Bucks County Council

Three adjustments have been made to the accounts as a consequence of the audit and been agreed with Grant Thornton:

- No process is in place for identifying fully depreciated IT assets on the Fixed Asset Register that have been disposed of and require to be written out. A review of IT assets, software and other equipment has identified £2.486m of intangible assets and £12.994m of plant & equipment that have been adjusted as an in-year disposal.
- Useful economic lives had not been correctly updated on the asset register following the revaluation of Property assets. This has resulted in £3.970m of depreciation being over-charged to the CIES. The Accounts have been adjusted to reduce depreciation charged.
- A £2m presentational error in relation to the upward and downward revaluation movements to the revaluation reserve;

There was no overall impact on the General Fund balance. A small number of other disclosure items have also been amended as listed on p20 of the Audit Findings Report. A copy of the Statement of Accounts as amended and to be approved is included as part of the papers. It should be noted that the audit has not yet concluded and further adjustments may be identified.

Statement of Accounts - Pension Fund

Grant Thornton audited the Pension Fund Accounts during the summer and are proposing to issue an unqualified audit opinion on the pension fund's financial statements. As a consequence of the audit, changes to the fair value hierarchy disclosures, Note 12, of the accounts were agreed. This is due to the introduction of IFRS 13 for 2015/16 which adds greater clarity around how the fair value disclosures should be presented. Pooled investment vehicle investments of £612,221k relating to the Legal & General indexed equity and bond funds and Royal London Asset Management Sterling EX Y BD-Z fund were reclassified from Level 3 to Level 1. Property – unit trust investments of £186,330k relating to the Aviva investment portfolio were reclassified from Level 3 to Level 2. Dividend income receivable, cash deposits, current assets and current liabilities of £7,157k, £69,072k, £12,468k and £(4,764)k respectively were reclassified from Level 1 to Level 2.

The basis for this is that the LGIM investment and RLAM holding both have quoted prices so should be Level 1, even though the underlying assets that they invest in are Level 3. The property unit trust should be Level 2 as there is available market data. For dividend income receivable, cash deposits, current assets and current liabilities Grant Thornton recommended moving from Level 1 to Level 2. It should be noted that it is which Level the assets are classified rather than the amount disclosed in the accounts which has changed. In relation to all of the above the 2014/15 comparatives have been restated.

Supporting information to include the following if a decision is being requested:

Resource implications

The overall position on the General Fund reserve is a decrease of £3.660m to £17.383m. Earmarked reserves have reduced to £97.452m. The overall outturn and level of General Fund reserves has not changed following the audit.

Legal implications

None

Other implications/issues

None

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

None

Background Papers

Statement of Accounts for the year ending 31 March 2016 – BCC and Pension Fund
Letter of Representation – BCC
Letter of Representation – Pension Fund
Draft Audit Findings Report 2015/16 - BCC (provided by Grant Thornton)
Draft Audit Findings Report 2015/16 - Pension Fund (provided by Grant Thornton)
