

The Audit Plan for Buckinghamshire County Council

Year ended 31 March 2017

24th May 2017

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24th May 2017

Dear Members of the Regulatory and Audit Committee

Audit Plan for Buckinghamshire County Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

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 which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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 look forward to working with you during the course of the audit.

Yours faithfully

Paul Grady
Engagement Lead

Chartered Accountants

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Contents

Section	Page
Understanding your business and key developments	4
Materiality	5
Significant risks identified	6-7
Other risks identified	8-10
Group audit scope and risk assessment	11
Value for Money	12-14
Other audit responsibilities	15
Results of interim audit work	16-17
The audit cycle	18
Audit fees	19
Independence and non-audit services	20
Communication of audit matters with those charged with governance	21

Understanding your business and key developments

Developments

Highways network asset (HNA)

On 3 March, CIPFA/LASAAC announced that the implementation of the Highways Network Asset Code into the financial reporting requirements of local authorities will no longer go ahead. This follows on from CIPFA/LASAAC decision in November 2016 to defer implementation of the new requirements from 2016/17 to 2017/18. The Code would have required the of measuring the Highways Network Asset at Depreciated Replacement basis.

In common with other highways authorities, your officers have previously spend a significant amount of time and resource in preparing for the implementation of HNA.

Financial pressures

Your draft Medium Term Financial Plan taken to the 16th February 2017 meeting of the County Council forecasts that by 2020-21, £46m of additional savings will be required annually. This highlights the continued importance of identifying savings opportunities and additional income.

Devolution and LG reorganisation

We will consider your plans and take these into account as part of our work in reaching our VFM conclusion.

We are able to provide support and challenge to your plans based on our knowledge of these issues elsewhere in the country.

Key challenges

Financial settlement

Buckinghamshire faces a challenging financial settlement going forward, with Revenue Support Grant funding set to reduce from £23.7m in 2016/17 to nil by 2018/19 and the Business Rates Top Up Grant set to reduce by £11.0m by 2019/20.

You have set a 4.99% increase in Council Tax for 2017/18 including the Social Care Precept and expect Council Tax to fund 89.8% of your budget by 2020-21, compared to 74.5% in 2016/17.

Income generation

Generation of additional income is a key area of focus for you. An income generation inquiry was agreed following the budget scrutiny exercise in 2015/16 which concluded that the Council is not always exploring all opportunities for developing additional income. A recent select committee enquiry recommended that you further raise the profile of income generation and the MTFP assumes increased income of £9.6m will be generated over the next 4 years.

Children's Services

In August 2014 you were rated inadequate by OFSTED in relation to your Children's Services function.

You have implemented an Improvement Plan to address the concerns raised by OFSTED. Progress towards improvement was made in 2015/16 and you have agreed to extend the programme team supporting the implementation of the plan to 2017/18.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect the aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. You met this deadline in 2016, and you plan to do the same in 2017.

Winding up of Buckinghamshire Care

During 2016/17, the Buckinghamshire Care group has ceased trading and the assets and liabilities of the group will be transferring to the Council. This will require the recognition of a "loss on cessation" within your accounts.

Our response

- We aim to complete all our substantive audit work of your financial statements and value for money arrangements by 26th July 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We have already held early discussions with your finance team around changes to the financial reporting requirements for 2016/17, and with your senior management on progress with children's services and plans for local government reorganisation

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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of your gross revenue expenditure. **For the purposes of planning the audit we have determined overall materiality to be £15,896k (being 2% of 2015/16 gross revenue expenditure).** Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors 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 accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. **We have defined the amount below which misstatements would be clearly trivial to be £795k.**

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified no areas where separate materiality levels are required.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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 • The culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Buckinghamshire County Council.</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements. • We have completed testing of month 1-9 manual journal postings, selecting large and unusual journal entries for testing back to supporting documentation <p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of months 10 - 12 journal entries. • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (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 date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
Valuation of property, plant and equipment	You revalue your assets on a rolling basis over a five year period. The Code requires that Councils 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.	<ul style="list-style-type: none"> • 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 valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into your asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	Your pension fund asset and liability as reflected in your balance sheet represent significant estimates in the financial statements.	<ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	<ul style="list-style-type: none"> • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Testing of the cut-off of expenditure recognised for 2016/17 • Testing of year end payable balances
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<ul style="list-style-type: none"> • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • We have documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We have reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We have reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). <p>Work planned:</p> <ul style="list-style-type: none"> • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

Group audit scope and risk assessment

The judgement that management have expressed to us is that Group accounts are not required to be prepared for Buckinghamshire County Council for 2016/17 on the basis that your subsidiaries would not be material in terms of their impact on the group's financial position and performance. The table below sets out our audit approach adopted in relation to review of each of your group interests and consideration of whether group accounts are required in respect of them.

Component[s]	Nature of entity	Your group assessment	Audit approach
Adventure Learning Foundation	Charity providing outdoor education and sports services	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control
Buckinghamshire Care	Limited company providing care and support services to older people and adults with a disability	Under the control of the Council – entity not sufficiently material to require consolidation	Review the expected final reported position for 2016/17 up until the point that the company ceased trading to determine whether the company is material to the Council's accounts.
Buckinghamshire Law Plus	Limited company providing legal services to not-for-profit and other public sector entities	Under the control of the Council – entity not sufficiently material to require consolidation	Review the expected final reported position for 2016/17 to determine whether the company is material to the Council's accounts.
Buckinghamshire Learning Trust	Charity delivering services to schools and early year settings	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control
Buckinghamshire Museum Trust	Charity overseeing the running of Buckinghamshire County Museum	Not under the control of the Council. You have Trustees on the Board but not enough to have a controlling influence.	Review governance arrangements for the charity at year-end and consider whether it falls under the Council's control

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The 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.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 26 July 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Local Government reorganisation You are considering different models of local government organisation across Buckinghamshire. These considerations may substantially alter the way public services are delivered across the county.</p>	<p>This links to your arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance and understanding and using appropriate cost and performance information to support informed decision making and performance management.</p>	<p>We will discuss the on-going proposals and consideration with officers and assess your preparedness for moving to new configurations should this arise.</p>
<p>Effectiveness and accountability frameworks There has been significant transformation in recent years in the effectiveness and accountability frameworks in place for service delivery. This has included programmes to transform the culture and operational structure of the Council to facilitate more flexible and commercial ways of working. The latest phase was the introduction of new ways of working for Health & Wellbeing and Children's Services which went live effective of 1 April 2016.</p>	<p>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will hold discussions with relevant officers involved in the transition and will review committee reports and other relevant documents relating to the monitoring of the roll-out of new operating arrangements to children's and adults' services.</p>
<p>Funding pressures In light of the increasing funding 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>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review recent performance against the budget and consider the reasonableness of the assumptions upon which the Medium Term Financial Plan is based.</p> <p>We will also review and consider the impact of the devolution and reorganisation agenda in Buckinghamshire on medium term financial planning.</p>
<p>Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in 2014 which gave a rating of 'inadequate' and the Council is currently subject to follow up review. In response to this you implemented an Improvement Plan to address the concerns that Ofsted raised.</p> <p>During our 2015/16 Value for Money review, we noted that the Department for Education had recognised that there had been clear signs of progress, while the DfE also highlighted some areas where they considered that further progress was required.</p>	<p>This links to your arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the progress you have made and the findings from inspectors and reviewers in respect of your arrangements as you implement change. We will consider your performance against objectives and targets in delivering a safe and reliable children's service and take these into account in forming our conclusion.</p> <p style="text-align: right;"><i>continued.....</i></p>

Value for money (continued)

Significant risk	Link to sub-criteria	Work proposed to address
<p>Adult social care services in Buckinghamshire On 31 December 2016 you terminated the contract with your subsidiary company, Buckinghamshire Care Limited, and transferred the assets and liabilities of the company in house, along with a commitment to continue to provide the services previously undertaken by the company. You are considering options for the long term provision of these services.</p>	<p>This links to your arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance and understanding and using appropriate cost and performance information to support informed decision making and performance management. It also links to your arrangements for Commissioning services effectively to support the delivery of strategic priorities.</p>	<p>We will discuss the proposals you have for the long term provision of these services and consider the arrangements for informed decision making.</p>

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

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

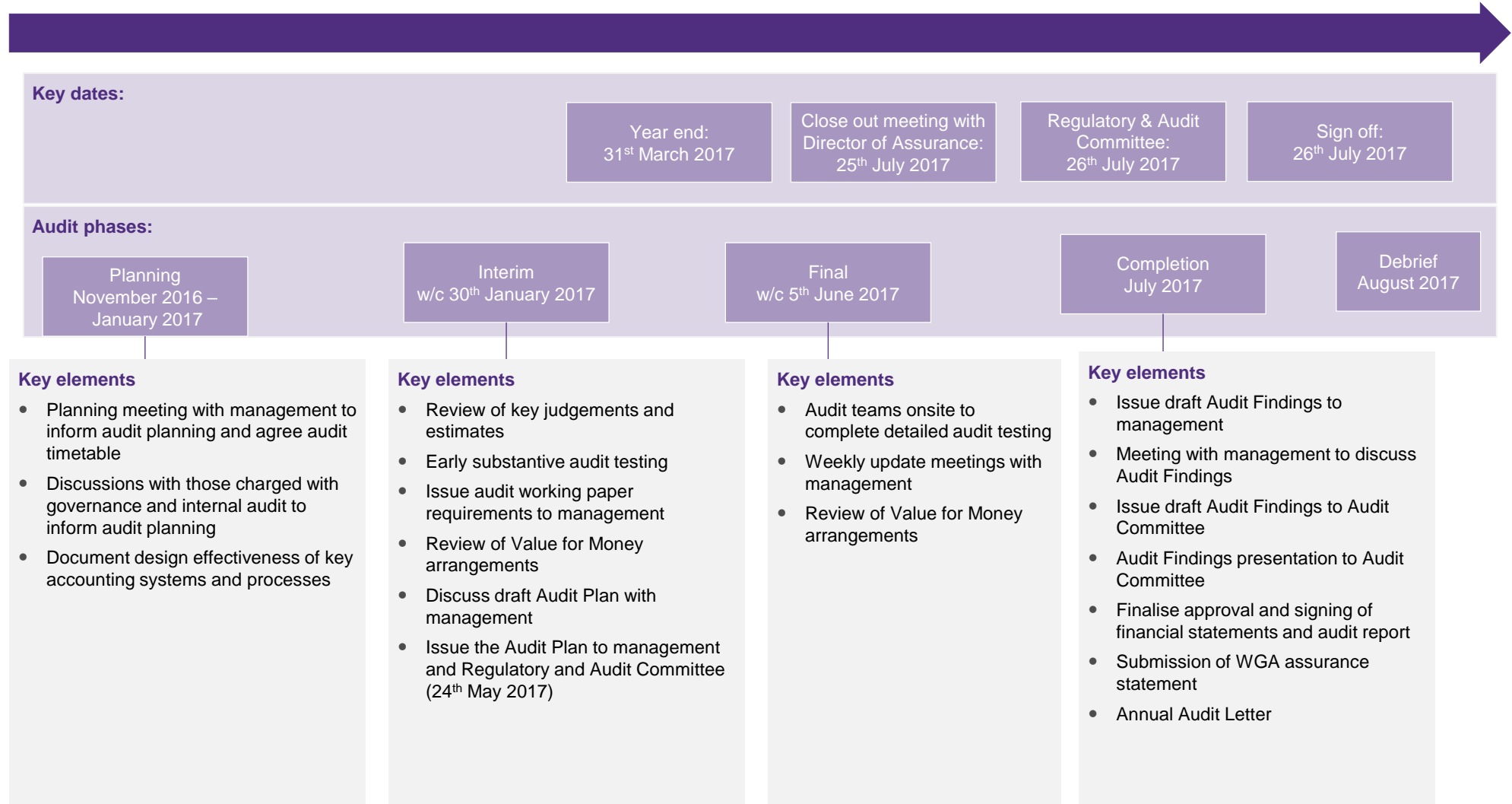
	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on your financial statements
Review of information technology controls	We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.	Our work has identified no material weaknesses which are likely to adversely impact on your financial statements
Walkthrough testing	We have completed walkthrough tests of your controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by you in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We have reviewed your journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on your control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
Review of the Council's progress made in preparing for the new accounting treatment for the Highways Network Asset (HNA)	<p>We undertook a high level review of the processes in place surrounding the preparation of HNA opening balance, to assess whether you have appropriate arrangements in place by 2017/18, when the new accounting treatment was expected be implemented within the CIPFA Code of Practice.</p> <p>This work was undertaken by mutual agreement between ourselves and officers as part of our preparations for auditing the HNA opening balance in 2017/16, to allow us to gain an initial early view on the progress that has been made to date in estimating this balance. As such, we do not provide any formal assurance at this stage around the adequacy of your arrangements for estimating the HNA opening balance.</p> <p>It should be noted that subsequent to the completion of this work, in March 2017 CIPFA/LAASAC announced that the implementation of the new accounting arrangements will HNA is no longer going ahead.</p>	<p>You have invested a significant amount of time in preparing for the implementation of HNA. On the basis of our limited review, it was clear that good progress had been made and it was apparent that there had been an appropriate level of oversight and input from the central accountancy team. However, we have identified a number of areas where some further work is required to ensure that you are prepared for when HNA is implemented.</p> <p>The detailed findings from our review were shared with the Director of Assurance in December 2016.</p>
Journals testing	We have completed testing of month1-9 manual journal postings.	Our work has not identified any weaknesses which impact on our audit approach.
Employee remuneration	We undertook testing of month 1-9 payroll expenditure, for both the main Council payroll and the Strictly Education payroll system.	Our work has not identified any weaknesses which impact on our audit approach.
Operating expenditure	We undertook substantive testing of month 1 -9 operating expenditure.	Our work has not identified any weaknesses which impact on our audit approach.

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit (scale fee)	88,088
Council HNA audit (additional audit fee) *	2,000
Audit of Buckinghamshire Care group **	TBC
Total audit fees (excluding VAT)	TBC

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- You will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Regular Audit Committee Progress Reports

* We have agreed a fee of £2,000 for work that we performed in November 2016 to review and report back on the arrangements that the Council has in place for preparation of Highway Network Asset opening balance entries.

** The audit of Buckinghamshire Care group is on-going due to delays in management finalising their year end position.

Independence and non-audit services

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 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.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Buckinghamshire County Council and its related group entities. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services for Buckinghamshire County Council and related group entities

Service	Fees £
Audit related	
Certification of teachers pension return	7,500
Testing of Skills Funding Agency sub-commissioning arrangements	4,000
Non-audit related	
Tax services for Buckinghamshire Care group	3,750

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This plan 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 and includes nationally prescribed and locally determined work (<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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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 the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



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