

# The Audit Findings for Buckinghamshire County Council

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**Year ended 31 March 2017**

July 2017

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26 July 2017

Dear Members of the Regulatory and Audit Committee

**Audit Findings for Buckinghamshire County Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Buckinghamshire County Council, the Regulatory and Audit Committee), to oversee the financial reporting process, 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 Finance and Assets.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements 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**

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## Purpose of this report

This report highlights the key issues affecting the results of Buckinghamshire County Council ('you' or 'the Council') and the preparation of your financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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 the financial position of the Council and its 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 to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of you acquired in the course of performing our audit; or otherwise misleading.

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 year.

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, as communicated to you in our Audit Plan dated 24 May 2017.

Our audit is nearing completion, subject to the satisfactory completion of the following procedures:

- receipt and review of evidence to support the Energy from Waste additional assets under construction in year;
- obtaining and reviewing outstanding debt and investment third party confirmations;
- review of the provision for doubtful debts;
- receipt and review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion;
- completion of Whole of Government Accounts work; and
- senior management quality and file reviews.

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 identified two adjustments affecting your reported financial position (details are recorded in section two of this report).

The draft financial statements for the year ended 31 March 2017 recorded a deficit on provision of services of £21,387k. Following corrections to the draft financial statements, this changes to a deficit of £24,210k in the audited financial statements. This change is due to an increase in the losses on de-recognition of academy schools to reflect the transfer of Beechview County Junior School, which was omitted in the draft statements.

We also identified a second adjustment to the primary financial statements. The gain taken to the revaluation reserve on revaluation of land and buildings was overstated by £2,054k. This figure has been reduced accordingly.

Neither of these two adjustments have any impact on the general fund. 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 good standard of quality with only a small number of audit findings arising from our work;
- working papers supporting the financial statements were generally to a good standard and were provided on time at the start of audit; and
- you have maintained the successful arrangements implemented for the first time in 2015/16 for bringing forward preparation of the accounts to achieve early closure of the audit. You are well prepared for when the statutory deadline for completion of the audit moves forward in 2017/18 from 30 September to 31 July.

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 assessing whether the Annual Governance Statement (AGS) and Narrative Report are misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of your Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## Controls

### Roles and responsibilities

The Council's 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

Our work has identified the following control weakness which we wish to highlight for your attention:

- we identified several control findings in respect of segregation of duties and user access rights in the SAP general ledger system which have been discussed with your IT personnel. Management have agreed to take action in response to these issues.

Further details are provided within section two of this report.

## **Value for Money**

Based on our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources we have considered the following issue. Our work is ongoing in this area as we wish to take account of planned inspection reviews due to take place at the Council in July and August. We will update you once we have completed our work as to whether this issue will give rise to a qualified Value for Money conclusion.

In August 2014, Ofsted issued a report on the inspection of services for children in need of help and protection, looked after children and care leavers, and their review of effectiveness of the Local Safeguarding Children Board. Their review concluded that, overall, children's services in Buckinghamshire were inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a strategy to improve children's services, since the 2014 report.

You have continued to make significant progress in addressing the arrangements that led to the inadequate rating. During the last twelve months you have been subject to three monitoring visits from Ofsted. In their letters dated September 2016, January 2017 and June 2017, they confirmed that steady progress has been made with improving children's services, while noting that there remain some areas where the pace in achieving the change required has been too slow.

You have not yet achieved your aspiration, set out at the start of the improvement programme, for children's services to be operating at the level of a "good" Ofsted rating within two years. The programme remains in progress. This reflects the fact that the original two year target for improvement was aspirational. The significance of the deficiencies subject to improvement action means that the two year aspirational window may not have been based upon a realistic assessment of the time that would be needed to bring about the required improvements.

As a result of the findings reported by Ofsted and the independent chair of your improvement panel as at that time, in October 2016 the Minister of State for Children and Families wrote to you to confirm his intention to maintain the current level of Department for Education intervention at Buckinghamshire County Council in respect of children's services.

The January 2017 and June 2017 Ofsted monitoring reports indicate that progress has been made since the decision of the Minister to maintain DfE intervention at Buckinghamshire. The quarterly reports of the independent chair of the improvement panel also indicate continued movement forward. However, there has been no recognition to date by the DfE or Ofsted of children's services having improved to a sufficiently adequate level. Further visits are planned in July, to be reported in August. We will take the findings of this inspection activity into account before reaching a final conclusion on whether a qualified value for money conclusion in respect of these issues remains appropriate.

Based on our review, with the exception of the matter set out above in relation to the arrangements for the management of children's services, we anticipate being 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 2017. We will report our final conclusion to you in September 2017.

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 your use of resources have been discussed with the Chief Executive and the Director of Finance and Assets.

## **Acknowledgement**

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

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

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## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 **£15,896k** (being 2% of gross revenue expenditure as per the audited 2015/16 accounts). 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 **£795k**. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have identified no areas where we would consider separate materiality levels to be 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&I) 320)

# Audit findings against significant risks

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. These are set out below. We identified two further significant risks, which are set out on the next page.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;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"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Though we have not identified revenue recognition as a significant risk we have nevertheless tested the occurrence of revenue for all of the Council's material revenue streams.</p>	<p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> <li>• walkthrough of systems and controls relating to the posting of journal entries;</li> <li>• review of journal entry process and selection of unusual journal entries for risk-based testing back to supporting documentation;</li> <li>• review of accounting estimates, judgements and decisions made by management; and</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of management over-ride of controls.</p>

"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&I) 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&I) 550)

# Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of property, plant and equipment</b></p> <p>You revalue your land and building 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.</p>	<p>We have completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> <li>• review of management's processes and assumptions for the calculation of the estimate;</li> <li>• review of the competence, expertise and objectivity of the external valuer Carter Jonas;</li> <li>• review of the instructions issued to Carter Jonas and the scope of their work;</li> <li>• discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions;</li> <li>• review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• testing of revaluations made during the year to ensure they are input correctly into your asset register; and</li> <li>• 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.</li> </ul>	<p>Our testing of revaluations made during the year identified a £2,054k overstatement of the gain on revaluation of assets for the year as a result of an error in the input into the fixed asset register of the valuation of school buildings for Stokenchurch Primary School. This has been adjusted within the final version of the financial statements and we have verified that this was an isolated error.</p> <p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any other issues in respect of the valuation of property, plant and equipment.</p>
<p><b>Valuation of pension fund net liability</b></p> <p>Your pension fund asset and liability as reflected in your balance sheet represent significant estimates in the financial statements.</p>	<p>We have completed the following work in respect of this risk:</p> <ul style="list-style-type: none"> <li>• Identification of the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessment of whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• review of the competence, expertise and objectivity of the actuary who carried out your pension fund valuation, Barnett Waddingham.</li> <li>• review of the reasonableness of the actuarial assumptions made; and</li> <li>• review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from Barnett Waddingham.</li> </ul>	<p>Our review of the reasonableness of the assumptions made by the actuary Barnett Waddingham has noted some concerns around the discount rate assumptions used. However we have concluded that overall there is no material misstatement of the pension fund net liability estimate. See page 15 of this report for further details.</p> <p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any other issues in respect of valuation of the pension fund net liability.</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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Completeness)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces;</li> <li>testing of the cut-off of expenditure recognised for 2016/17; and</li> <li>testing of expenditure for the year and year end payable balances.</li> </ul>	<p>Our testing of expenditure cut-off identified an invoice for £12k in respect of teacher charges relating to the 2016/17 financial year that had not been accrued for due to the school not processing the invoice in time to be recorded within the draft accounts. We have extrapolated this error across the population tested and have calculated an extrapolated error of £936k. This is an auditor estimate of the potential similar such errors based upon our findings, and does not necessarily reflect the level of error within the population being tested. It does, however, provide assurance that were the error to be repeated across the population, the likely value of the error would not be material. Management have not amended the accounts to adjust for this extrapolated error on the basis it is an extrapolation only, and is not material.</p> <p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any other issues in respect of the risk identified.</p>
<b>Employee remuneration expenditure</b>	Employee remuneration and benefit obligations and expenses understated (Completeness)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces;</li> <li>trend analysis and risk identification for monthly payroll costs; and</li> <li>testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment.</li> </ul>	<p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any issues in respect of the risk identified. financial statements.</p>

"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&I) 315)

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Changes to the presentation of local authority financial statements</b></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>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements;</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure;</li> <li>testing of the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES;</li> <li>testing of the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger;</li> <li>testing of the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and</li> <li>review of the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any issues in respect of the risk identified.</p>

# 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.

Components	Nature of entity	Your group assessment	Audit approach	Assurance gained and issues raised
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	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 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.	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 reported position for 2016/17 to determine 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. 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	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. 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	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
<p><b>Revenue recognition</b></p>	<p>The Council has three principal revenue streams:</p> <ul style="list-style-type: none"> <li>• taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied;</li> <li>• grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and</li> <li>• income from fees and charges in the provision of services is recognised when the service has been provided or when the title to goods has passed.</li> </ul>	<p>We have no concerns with your revenue recognition policies or with the application of those policies. The revenue recognition policies adopted are in line with the CIPFA Code of Practice.</p>	<p style="text-align: center;">● <b>Green</b></p>
<p><b>Going concern</b></p>	<p>The s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed your assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p style="text-align: center;">● <b>Green</b></p>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements - changes to the presentation of local authority financial statements</b></p>	<ul style="list-style-type: none"> <li>For 2016/17, the Council has restated the format of the “cost of services” section of the comprehensive income and expenditure statement to present service income and expenditure on a segmental basis rather than in line with the CIPFA service reporting code as has been done in previous years.</li> <li>This is as a result of the “Telling the Story” changes implemented by CIPFA for local authorities for 2016/17 in order to enhance the usability of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>You have opted to identify nine separate service segments in the comprehensive income and expenditure statement, based on services areas reported separately to members for budget setting and budget monitoring purposes.</li> <li>We have verified that approach adopted is appropriate to the circumstances of the Council and is consistent with the requirements of the CIPFA Code of Practice.</li> </ul>	<p style="text-align: center;">● <b>Green</b></p>
<p><b>Valuation of the net pension fund liability</b></p>	<ul style="list-style-type: none"> <li>The net pension liability in respect of the Local Government Pension Scheme (LGPS) is estimated by the scheme actuary Barnett Waddingham in accordance with the requirements of IAS 19.</li> </ul>	<ul style="list-style-type: none"> <li>In assessing the appropriateness of the assumptions made by Barnett Waddingham, which informed your disclosure of the IAS19 net pension liability as at 31 March 2017, we placed reliance on a central review of the methodologies adopted by LGPS actuaries that was commissioned by the National Audit Office from PwC on behalf of LGPS auditors.</li> <li>For 2016/17, PwC did not consider the methodology adopted by Barnett Waddingham for determining the appropriate discount rate to apply to be sufficiently sophisticated. Accordingly, they consider that the discount rates used by Barnett Waddingham are higher than the range that PwC regard as reasonable. Had Barnett Waddingham used a lower discount rate, as PwC suggest, then this would have resulted in a higher IAS19 net pension liability as at 31 March 2017. This is a national issue that is relevant to all local authorities that engage Barnett Waddingham.</li> <li>We have however gained satisfaction that overall, to a material extent, the net pension liability estimate reported by the Council as at 31 March 2017 is not materially misstated.</li> </ul>	<p style="text-align: center;">● <b>Amber</b></p>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient



# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements – accounting for the completion of the Energy from Waste asset</b></p>	<ul style="list-style-type: none"> <li>The construction of the Greatmoor Energy from Waste facility was delivered through a service concession arrangement. During the construction of the Energy from Waste plant, you accounted for the arrangement by recognising an asset under construction and a corresponding service concession liability.</li> <li>Following the completion of the asset and the settlement of the cost with the contractor during the year, you eliminated the service concession liability and transferred the Energy from Waste asset under construction into operational assets.</li> </ul>	<p>The draft accounts were prepared on the basis that the Energy from Waste asset was transferred from assets under construction to operational assets effective from 1 April 2016, and showed the £13,538k of capital additions for the asset in 2016/17 incurred prior to it being completed as additions of an operational asset. We have recommended that these should be presented as additions of an asset under construction because this relates to expenditure incurred prior to the completion of the asset.</p> <p>In the draft accounts, the full capitalised cost of the asset was transferred into the “other land and buildings” category on completion of the asset. We have agreed an amendment to reflect the fact that £111,104k of the costs should have been transferred into the “vehicles, plant and equipment” category.</p> <p>We note that c. £3m of finance costs relating to the Energy from Waste asset have been recognised as an expense for the Planning &amp; Environment service segment within the cost of services section of the Comprehensive Income and Expenditure Statement. This is not strictly consistent with the CIPFA Code of Practice, which requires that finance costs be recorded within financing and investment income and expenditure. We have reported this as an unadjusted misstatement (see page 23).</p> <p>We have also requested additional support from management to support the valuation of the £13,538k of costs incurred this year as an Asset under Construction. As at the date of this report we are awaiting receipt of evidence to support this.</p> <p>Subject to the satisfactory provision of evidence in respect of the above matter, in all other respects we are satisfied that accounting for the completion of the Energy from Waste asset is appropriate.</p>	<p style="text-align: center;">● <b>Amber</b></p>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p><b>Other judgements and estimates</b></p>	<ul style="list-style-type: none"> <li>• Other key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Expenditure accruals</li> <li>– Financial instrument fair value disclosures</li> <li>– Judgement around accounting for the social care re-provisioning long-term receivable</li> <li>– Judgement that group accounts are not required</li> <li>– Judgements around recognition of schools land and buildings on the Balance Sheet</li> </ul> </li> </ul>	<p>Our testing of revaluations made during the year identified a £2,054k overstatement of the gain on revaluation of assets for the year as a result of an error in the input into the fixed asset register of the valuation of school buildings for Stokenchurch Primary School.</p> <p>We did not identify any further issues in relation to any of the other areas of estimate and judgement reflected within the financial statements.</p>	<p style="text-align: center;">● <b>Amber</b></p>
<p><b>Other accounting policies</b></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;">● <b>Green</b></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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 24 May 2017 and been made aware of minor low-level frauds identified from the work of internal audit. 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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council, which is included in the Regulatory and Audit Committee papers alongside this report</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests in respect of the Council's bank balances, investments and loans as at 31 March 2017. This permission was granted and the requests were sent. The majority of these requests have been returned with positive confirmation. However, at the time of the drafting of our report we have received no response to our requests for confirmation of your investments with CCLA, Federated and Standard Life Investments or to our requests for confirmation of your short terms loans with Dacorum Borough Council, Milton Keynes Council and West Sussex County Council. These collectively represented material unconfirmed investment and debt balances and we will need to obtain more of the outstanding confirmations in order to have sufficient assurance to conclude our audit. We are continuing to chase these outstanding confirmations and are currently in discussion with management to pursue these with the relevant bodies.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>


## Other communication requirements continued

	Issue	Commentary
7.	<b>Matters on which we report by exception</b>	<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"> <li>• 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</li> <li>• If the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of you acquired in the course of performing our audit, or otherwise misleading.</li> </ul> <p>Our work has not identified any issues we would be required to report by exception in relation to these areas.</p>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<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 set by the NAO we are required to examine and report on the consistency of the WGA consolidation pack with your audited financial statements. This work will be undertaken after the completion of the audit, in line with the national timetable for WGA reporting.</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.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<ul style="list-style-type: none"> <li>We identified several control findings in respect of segregation of duties and user access rights in the SAP general ledger system which have been discussed with your IT personnel. Management have agreed to take action in respect of these issues.</li> </ul>	<ul style="list-style-type: none"> <li>Resolve the segregation of duties and user access rights issues identified on SAP.</li> </ul>

**Assessment**

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

The matter we have reported here is limited to the only deficiency noted during the course of the audit 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.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.

Our audit included consideration of internal control 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.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

## 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 management has agreed to correct in the final version of the financial statements.

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported deficit on provision of services for the year. Neither of the two adjustments reported below have any impact on the general fund position.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on deficit on provision of services £000
1 Adjustment to increase loss on de-recognition of academy schools	£(2,823)	£(2,823)	£(2,823)
2 Adjustment to reduce the gain on revaluation (impacts only on the portion of the gain taken to the revaluation reserve)	£(2,054)	£(2,054)	–
<b>Overall impact</b>	<b>£(4,877)</b>	<b>£X(4,877)</b>	<b>£(2,823)</b>

## 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 and 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 Adjustment to presentation of finance costs for the Energy from Waste Scheme: - DR Finance and Investment Income and Expenditure - £3,124k - CR Cost of Services – Planning & Environment - £3,124k	No net impact	£nil	Management do not consider this material
<b>Overall impact</b>	<b>£nil</b>	<b>£nil</b>	

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Classification	£13,538k	Property, plant and equipment	Within the main property, plant and equipment table in Note 15, the £13,538k of additions of the Energy from Waste asset for 2016/17 were presented as additions of 'other land and buildings' rather than of 'assets under construction'
2 Classification	£111,104	Property, plant and equipment	Within the main property, plant and equipment table in Note 15, on the reclassification of the Energy from Waste asset from assets under construction to an operational asset category on completion of the asset, £111,104k of the asset should have been transferred into 'vehicles, plant and equipment' rather than to the 'other land and buildings' asset category.
3 Disclosure	£1,872	Teachers pensions employer contributions	Note 13 disclosed the expected employer contributions for the teachers pension scheme for 2016/17 of £13,182k rather than the actual total contributions £15,054k
4 Disclosure	£9,677	Capital commitments	Note 15 disclosed capital commitments of £12,527k in respect of Berryfields 2 Primary School, however the correct total of contractual commitments as at the year end in respect of this project was £2,850k
5 Disclosure	Various	Various	We have agreed a number of other minor disclosure changes



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## 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 at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has 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 2016. AGN 03 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.*

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 early 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 24 May 2017. The risks identified were as follows:

- Local Government reorganisation
- Effectiveness and accountability frameworks
- Funding pressures
- Ofsted inspection of children's services
- Adult social care services in Buckinghamshire

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 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. 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 on pages 28 to 33.

### **Overall conclusion**

As part of our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources, we have considered your arrangements in respect of Children's Services following the previous 'Inadequate' rating by Ofsted in 2014.

The January 2017 and June 2017 Ofsted monitoring reports indicate that progress has been made since the decision of the Minister to maintain DfE intervention at Buckinghamshire. The quarterly reports of the independent chair of the improvement panel also indicate continued movement forward. However, there has been no recognition to date by the DfE or Ofsted of children's services having improved to a sufficiently adequate level. Further visits are planned in July, to be reported in August.

Our work is ongoing in this area as we wish to take account of planned inspection reviews due to take place at the Council in July and August. We will take the findings of this inspection activity into account before reaching a final conclusion on whether a qualified value for money conclusion in respect of these issues remains appropriate.

We will update you once we have completed our work as to whether this issue will give rise to a qualified Value for Money conclusion.

Based on our review, with the exception of the above matter in relation to the arrangements for the management of children's services, we anticipate being 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 2017. We will report our final conclusion to you in September 2017.

### 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><b>Local Government reorganisation</b>                      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>Discussion with officers around the on-going proposals to assess your preparedness for moving to new configurations should this arise.</p>	<p>In September 2016, you undertook a strategic options appraisal for future models of unitary local government. This was in response to the increased population growth, demand for services and financial pressures that Buckinghamshire is set to face over the longer term. Your review considered three potential options for delivery of services in Buckinghamshire, being: (a) one unitary authority providing all services; (b) two/three unitary authorities; or (c) three unitary authorities with a combined authority,</p> <p>Your review concluded that a single unitary authority would achieve the greatest level of annual revenue savings of the three options considered and concluded that this would be your preferred model for configuring services going forward. We do not express a conclusion on whether this is the most appropriate of the options considered for Buckinghamshire but we note that the analysis supporting the options appraisal performed was reasonable and internally consistent.</p> <p>Based on the outcome of the options appraisal you submitted a business case to the Department for Communities and Local Government requesting that they consider your proposal for a single unitary authority for Buckinghamshire. In opposition to your proposal, in January 2017 the Buckinghamshire district councils submitted their own plan for re-forming local government in Buckinghamshire, proposing two unitary options for the county. DCLG is currently considering these plans and it is not known when the Secretary of State will rule on whether to go ahead with either of the proposals.</p> <p>You intend to write further to the Secretary of State to ascertain a timeline for a decision to enable you to plan further. You have taken appropriate steps to date to plan for the various potential outcomes available to the Minister. 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><b>Effectiveness and accountability frameworks</b></p> <p>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 &amp; Wellbeing and Children's Services which went live effective of 1 April 2016.</p>	<p>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>Over recent years, there has been significant change in your operating structures and accountability frameworks for oversight of your arrangements for service delivery. It is clear to us that significant progress has been made in moving to a more leaner and commercial operating model. This has supported your continued attainment in 2016/17 of budget savings and increased levels of income generation.</p> <p>In 2015/16 we noted that implementation of the new ways of working had exposed some legacy weaknesses in systems of internal control. This led to 50% of audits completed by your internal audit team being given "limited assurance" opinions and resulted in the Chief Internal Auditor issuing a qualified Head of Audit Opinion for 2015/16. We can see that during 2016/17 progress has been made in resolving these issues and there has been a reduction in the volume of limited assurance internal audit reports. The progress made in this area is further evidenced by the fact that for 2016/17 the Chief Internal Auditor has issued an unqualified Head of Audit Opinion.</p> <p>You have adopted a Business Unit operating structure, with each unit of the Council having its own managing director, finance director and responsible Cabinet member. These new ways of working were rolled out for Health &amp; Wellbeing and Children's Services effective 1 April 2016. Internal audit have reviewed governance structures across the Business Units and have noted that appropriate arrangements for financial control are in place. We have noted no significant concerns around the rollout of new ways of working for Health &amp; Wellbeing and Children's Services.</p> <p>Contract management has been recognised by officers and internal audit as an area where you need to improve. This is currently reported as a risk on your strategic risk register. We are aware that an internal review into your contract management arrangements led by the Executive Director, Transport Economy Environment is planned to look at addressing some of the current inconsistencies.</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><b>Funding pressures</b> 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>We reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which the Medium Term Financial Plan is based.</p> <p>We will also reviewed and consider the impact of the devolution and reorganisation agenda in Buckinghamshire on medium term financial planning.</p>	<p>You have arrangements in place to support robust financial planning. Overall you have performed well in 2016/17 from a financial control perspective, delivering an overall surplus of £6.1m while delivering significant savings to mitigate an £18.1m reduction in revenue support grant funding compared to 2015/16.</p> <p>However, this includes a non-recurrent £10.1m surplus achieved on corporate costs as a result of technical adjustments and release of contingencies. £6m of contingencies were built into the budget and £3.9m of “savings” arose from the technical accounting impact of the revised Minimum Revenue Provision policy. These are offset against a £4.1m overspend at a portfolio level. Such savings at a corporate level are not recurrent over the medium term and thus while there has been a positive increase in the general fund during the year and significant savings have been achieved, these are not all transformational. The importance of your continued focus on driving cost savings and generating additional income remains key to your financial viability.</p> <p>In relation to the capital budget, you delivered an outturn underspend of £12.9m against the capital budget for 2016/17, owing to slippage on delivery of projects and £5.9m unreleased capital budget for schemes yet to satisfy the criteria for the release of funding. This slippage represents 17% of the overall budget. Although this is an improvement on the 22% slippage on the capital programme for 2015/16, there remains room for further improvement.</p> <p>In January 2017, we observed your annual process for member challenge to the setting of the annual budget. This was a thorough and forensic process which demonstrated sound financial rigour and understanding, and strong challenge over financial assumptions. The robustness of your process for setting the 2017/18 budget and the updated medium term financial plan is good; we are satisfied that your budget and MTFP take account of reasonable assumptions and overall make realistic assessments of the savings and income generation achievable.</p> <p>Though you have a good 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. 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><b>Ofsted inspection of children's services</b> 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 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>We reviewed the progress you have made and the findings from inspectors and reviewers in respect of your arrangements as you implement change. We also considered 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>During 2016/17, you continued the improvement journey to develop and improve children's services in response to the findings identified by Ofsted, when you were judged "Inadequate" in 2014. You have continued to invest in developing the children's services function and have ensured that the delivery of the improvement plan is a key priority for you.</p> <p>During the last twelve months you have been subject to three monitoring visits from Ofsted. In their letters dated September 2016, January 2017 and June 2017, Ofsted consistently reported that steady progress has been made with improving children's services, but noted that there remain some areas where the pace in achieving the change required has been too slow.</p> <p>Over the same period, the independent chair of the improvement panel for children's services has also submitted reports to the DfE which have reported a similarly positive level of continued improvement, while also identifying areas where concerns remain. The chair is now satisfied that a sufficient level of progress is being made that the improvement panel no longer needs to meet as frequently and can convene on a quarterly basis only going forward. This is a positive step forward.</p> <p>The overview of progress made during the year, as reported by Ofsted, is consistent with your own internal monitoring, which highlights that performance has improved but that there remain areas where performance targets are not being met. A positive trend is that the percentage of qualified social workers on an agency contract has reduced during the year as a result of greater conversion of temporary staff to permanent positions. Based on the feedback received during the year from Ofsted, the focus of your improvement has now moved from ensuring compliance to driving improvement through embedding consistency in good practice.</p> <p>You have not achieved your aspiration set out at the start of the improvement programme for children's services to be operating at a "good" Ofsted rating within two years. The programme remains in progress. This reflects the fact that the original two year target for improvement was aspirational and may not have been based upon a sufficiently realistic assessment of the time that would be taken to bring about the considerable improvement required.</p> <p>You are due to undergo a fourth monitoring visit from Ofsted in July 2017, the findings of which will be reported to you in August. After that, Ofsted will either notify you of their intention to undertake further monitoring visits or otherwise the Council will go back into the pool of authorities due a full Ofsted inspection.</p> <p style="text-align: right;"><i>continued.....</i></p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>Ofsted inspection of children's services</b> Continuation of risk noted on page 29</p>	<p>See page 29 for details of the work undertaken in respect of this risk.</p>	<p>....<i>continued</i></p> <p>Following the findings reported by Ofsted and the independent chair of your improvement panel at that time, in October 2016 the Minister of State for Children and Families wrote to you to confirm his intention to maintain the current level of Department of for Education intervention at Buckinghamshire County Council in respect of children's services. A follow-up letter is expected in due course based upon the findings from the more recent Ofsted monitoring visits and reports from the independent chair, though we note that there has been some delay due to the incumbent Minister of State for Children and Families changing following the UK general election in June.</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. We will update our considerations and form a final conclusion in respect of this area in September 2017, following the additional monitoring and inspection visits in July 2017 and their reporting in August 2017.</p>



**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>Adult social care services in Buckinghamshire</b> 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>We have discussed with you the proposals you have for the long term provision of these services and considered the arrangements for informed decision making.</p>	<p>The decision to terminate the contract with Buckinghamshire Care Limited was taken in response to the financial difficulties faced by the company and as a result of concerns around the quality of service that was being delivered. Following the termination of the contract, management have taken swift steps to bring the services provided by Buckinghamshire Care back in-house. This gave rise to a £2.2m loss on cessation that is included within the 2016/17 financial statements.</p> <p>We have noted no significant concerns around your arrangements for bringing provision of social care services back in house. Appropriate administrative arrangements, such as transferring the staff of Buckinghamshire Care onto the main County payroll, were appropriately implemented and the audit of the 2015/16 Buckinghamshire Care accounts was completed in June.</p> <p>Going forward, the delivery of the services previously provided by Buckinghamshire Care are being provided directly by the Council as part of the Health &amp; Adult Social Care directorate, under the auspices of the wider strategy for Health &amp; Adult Social Care. This follows the same governance structure as used for other units of the Council, with responsibility for the provision of the services overseen by a managing director and business unit board.</p> <p>It is clear that appropriate steps are being implemented to mitigate the concerns around quality of care that influenced the decision to terminate the contract with Buckinghamshire Care. Action is being taken to remedy the concerns noted by the Care Quality Commission; specifically the concerns noted in their December 2016 report on the service provided by Buckinghamshire Care Limited that resulted in a conclusion of “Requires Improvement”; and the CQC’s April 2017 report on Seeleys Respite Centre that resulted in a rating of “Inadequate”. Consideration is currently being made around the future of Seeleys Respite and of how best to meet the needs of services, once the concerns noted by the CQC around safety and environment have been mitigated in the short term.</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 for ensuring value for money 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.

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**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 other services.

## Fees

	Proposed fee £	Final fee £
Council audit – scale fee	88,088	88,088
Council audit – additional fee in Highways Network Asset review *	2,000	2,000
Buckinghamshire Care group audit **	18,000	TBC
<b>Total audit fees (excluding VAT)</b>	<b>108,088</b>	<b>TBC</b>

The scale audit fee for the year is set by Public Sector Audit Appointments Ltd (PSAA).

\* We have agreed with you a proposed additional fee of £2,000 for work that we performed in November 2016 to review and report on the arrangements that you have in place for the preparation of Highway Network Asset opening balance entries. This is subject to approval by PSAA and the proposed additional fee will be submitted for their consideration on completion of the audit

\*\* The audit of Buckinghamshire Care group for 2016/17 is on-going and the final fee will be determined on completion of the audit.

\*\*\* In September 2016, you engaged us to perform an independent review on your options appraisal and business case for reorganising local government in Buckinghamshire. The terms of the engagement were limited to ensure mitigation of any self-review or management threats to auditor independence by restricting the work to a review of the consistency and reasonableness of your analysis. We did not make any recommendations on any of the potential options or otherwise suggest any particular course of action.

## Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence
- 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 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 the Council. The table below summarises all other services which were identified.

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Certification of the teachers pensions return for 2015/16 (delivered in 2016/17)	7,210
<b>Non-audit services</b>	
• Unitary options appraisal ***	10,215
• Buckinghamshire Care corporation tax compliance work 2015/16 (delivered in 2016/17)	3,750

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices

**A. Action Plan**

**B. Audit Opinion**

# A. Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	Resolve the segregation of duties and user access rights issues identified on SAP.	Deficiency	TBC	

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



## B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report on the financial statements but will not be in a position to issue our value for money conclusion until later in the year. We will form our final opinion on the value for money conclusion in September 2017. The draft opinion here reflects a modified value for money conclusion as at July 2017.**

### 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 2017 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 2016/17.

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 Authority's 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 Finance and Assets and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance and Assets 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Finance; 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

#### **Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing 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. 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 for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

#### **Basis for qualified conclusion**

In considering the Authority's arrangements for securing economy, efficiency 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. The overall judgement was that children's services were rated as inadequate.

Reviews of children's services undertaken by Ofsted in the form of monitoring visits reported on in September 2016, January 2017 and June 2017 found that steady progress had been made in response to the Ofsted findings while noting that there remain some areas where the pace of change in achieving the change required has been too slow. In October 2016, the Minister of State for Children and Families wrote to the Authority, confirming that, although he noted "a number of areas where progress has been made since the last review", the pace of improvement needs to increase and in particular, the quality and consistency of social work practice needs to be improved. The Minister concluded that the Authority should remain 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 paragraphs above, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

[Signature]

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

30 Finsbury Square  
London  
EC2A 1RR

[Date]



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