

# Agenda

## REGULATORY AND AUDIT COMMITTEE

**Date:** Wednesday 26 July 2017  
**Time:** 9.00 am  
**Venue:** Mezzanine Room 2, County Hall, Aylesbury

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Agenda Item	Time	Page No
1 <b>APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP</b>	09:00	
2 <b>DECLARATIONS OF INTEREST</b> To disclose any Personal or Disclosable Pecuniary Interests		
3 <b>MINUTES</b> That the minutes of the meeting held on 15 June 2017 to be confirmed as a correct record		5 - 8
4 <b>AUDIT OF ACCOUNTS</b> To be presented by Mr Ambrose, Director of Finance and Assets and Grant Thornton, Auditors.	09:05	9 - 98

- Statement of Accounts for the year ended 31 March 2017 – BCC and Pension Fund
- Letter of Representation – BCC
- Letter of Representation – Pension Fund
- Draft Audit Findings Report 2016-17 - BCC (provided by Grant Thornton)
- Draft Audit Findings Report 2016-17 - Pension Fund (provided by Grant Thornton)

<b>5</b>	<b>DRAFT ANNUAL GOVERNANCE STATEMENT</b> To be presented by Ms M Gibb, Chief Auditor	<b>09:35</b>	<b>99 - 114</b>
<b>6</b>	<b>ANNUAL REPORT OF CHIEF AUDITOR</b> To be presented by Ms M Gibb, Chief Auditor	<b>09:45</b>	<b>115 - 132</b>
<b>7</b>	<b>2017/18 DRAFT BUSINESS ASSURANCE STRATEGY INCLUDING INTERNAL AUDIT PLAN</b> To be presented by Ms M Gibb, Chief Auditor	<b>10:00</b>	<b>133 - 148</b>
<b>8</b>	<b>EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY</b> To be presented by Mr M Strevens, Corporate Finance Business Partner, Mr A Isaacs, Finance Director for CHASC and Mr J Huskinson, Finance Director for CSCL	<b>10:20</b>	<b>149 - 166</b>
<b>9</b>	<b>MANDATORY TRAINING COMPLIANCE UPDATE</b> Update to be presented by Mrs C High, Corporate Training Advisor	<b>10:40</b>	<b>167 - 170</b>
<b>10</b>	<b>PETITIONS PROCESS REVIEW</b> To be presented by Mrs C Capjon, Head of Member Services	<b>10:50</b>	<b>171 - 174</b>
<b>11</b>	<b>FORWARD PLAN</b> Standing item	<b>11:05</b>	<b>175 - 182</b>
<b>12</b>	<b>DATE AND TIME OF NEXT MEETING</b> 6 September 2017, 9am, Mezz 1		
<b>13</b>	<b>EXCLUSION OF THE PRESS AND PUBLIC</b> To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)		

<b>14</b>	<b>CONFIDENTIAL MINUTES</b>	<b>11:15</b>	<b>183 - 186</b>
	To agree the confidential minutes of the meeting held on 15 June 2017.		
<b>15</b>	<b>PRIVATE SESSION WITH GRANT THORNTON</b>	<b>11:20</b>	
<b>16</b>	<b>PRIVATE SESSION WITH CHIEF AUDITOR</b>		

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If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

*For further information please contact: Rachel Bennett on 01296 382290, email: [rbennett@buckscc.gov.uk](mailto:rbennett@buckscc.gov.uk)*

### **Members**

Mr S Bowles	Mr N Hussain
Mr T Butcher (VC)	Mr D Martin (C)
Mr D Dhillon	Mr P Martin
Ms N Glover	Mr D Watson



# Minutes

## *REGULATORY AND AUDIT COMMITTEE*

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON THURSDAY 15 JUNE 2017 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY, COMMENCING AT 2.00 PM AND CONCLUDING AT 3.52 PM.**

### **MEMBERS PRESENT**

Mr T Butcher (Vice-Chairman)  
Ms N Glover  
Mr N Hussain  
Mr D Martin (Chairman)  
Mr P Martin  
Mr D Watson

### **OTHERS IN ATTENDANCE**

Mrs S Ashmead, Assistant Chief Executive  
Ms R Bennett, Committee Assistant  
Ms M Gibb, Head of Business Assurance  
Mr R Schmidt, Head of Strategic Finance, Assistant Service Director (Strategic Finance)  
Mr T Slaughter, Executive, Grant Thornton Auditors  
Mr M Ward, Manager, Grant Thornton Auditors

### **1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP**

Apologies were received from Mr Dhillion, Mr Bowles and Mr Niknam Hussain.

### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3 MINUTES**

The Chairman highlighted the actions that had been completed since the previous meeting and clarified that:

- It would be reported back to the meeting in July details of the reduction of income in Health & Wellbeing, Children's Services and Education and Skills business units.



- Mr Ambrose was taking forward the suggestion to present with more clarity the impact the Energy from Waste (EfW) contract is having on individual business units

The minutes of the meeting held on 24 May 2017 were agreed as a correct record and signed by the Chairman.

#### **4 TREASURY MANAGEMENT ANNUAL REPORT 2016/17**

Mrs J Edwards attended the Committee to update Members on the Treasury Management Annual Report 2016/17.

##### **Recommendation**

**The Committee was asked to recommend to Council the Treasury Management Annual Report; and the actual Prudential Indicators for 2016/17.**

Mrs Edwards gave an overview of the report and highlighted the following points:

- The Treasury Management Strategy was presented to the Regulatory and Audit Committee on 8 February 2016 and subsequently approved at County Council on 18 February 2016
- The Council paid a single payment of £180m plus £36m VAT in June 2016 in respect of the Energy from Waste Plant. Following the EfW payment the Council had managed its cashflow requirements through undertaking temporary borrowing

The Committee made the following points:

- The Committee asked if and how the indicators set out in the report were benchmarked against other Local Authorities. Mr R Schmidt confirmed that the indicators were not benchmarked, however the rate of returns were benchmarked
- The Committee questioned the actual external debt that appeared in the previous report to be repaid in the last financial year that still seemed to be outstanding to be repaid in this financial year. Mrs Edwards confirmed that there were a number of loans structured so the Council paid £11.7m last year and will also repay £11.7m this year.

**RESOLVED: The Committee RECOMMENDED to Council the Treasury Management Annual Report and the actual Prudential Indicators for 2016/17.**

Mrs Edwards was thanked for her report.

#### **5 2017/18 DRAFT BUSINESS ASSURANCE STRATEGY (INCL. INTERNAL AUDIT PLAN)**

Ms M Gibb gave a verbal update to the Committee outlining the progress of the Draft Business Assurance Strategy.

Ms Gibb highlighted the following points:

- Quarter 1 audit activity had been agreed by the Regulatory and Audit Committee in May 2017 and was in progress
- Remaining items had been discussed at the Corporate Management Team, further details would come back to Committee in July
- Key areas of focus were Contract Management, Programme and Project Management and Debt Management

**RESOLVED: Ms Gibb was thanked and her update noted by the Committee.**

#### **6 CONTRACT STANDING ORDERS - EXEMPTIONS AND BREACHES**

Mr R Schmidt presented the report to the Committee which provided an updated summary in relation to compliance with the Council's Standing Orders relating to Contracts (CSO) and compliance with the Public Procurement Regulations. The reporting period covered the period from 1 October 2016 until 31 March 2017.

### **Recommendation**

**Members were asked to NOTE the report.**

The following points were discussed:

- There was an overall reduction in exemptions in comparison to the same quarter in the previous year
- The mystery shopping exercises had been completed by Central Government at various points throughout the year

The Committee noted that Appendix 2 (**Breaches to public procurement regulations**) was deemed confidential and would be discussed under part 2 of the meeting.

**RESOLVED: The Committee NOTED the report.**

## **7 WHISTLEBLOWING POLICY - INCIDENTS AND EFFECTIVENESS**

Mrs A Nichols presented the Whistleblowing policy and update report which the Committee receives annually.

Mrs Nichols highlighted the following points:

- There had been no change to the policy since last year and no changes in legislation
- One case had been raised in year but had since been dismissed

The Committee discussed the following points:

- The Chairman asked for an update following a previous incident reported of performance and governance issues at a school as there had been no outcome reported. Mrs Nichols updated the committee that the case was closed down as following clarification of the concerns, it did not go through as a whistleblowing case and was managed through the Council Complaints system
- The Committee asked for an update regarding the whistleblowing issue around the Placement of SEN children. Mrs Nichols advised that an internal audit investigation was commissioned as a result of this complaint and an action plan was then put in place
- Reference was made to the item in the report relating to the Legal Services transfer to Harrow Council and the claim this had been unlawful. Mrs Nichols updated the board this had been investigated and advice taken confirmed the Council had acted legally
- The Committee requested that going forward the reports should include updates on the outcomes of cases from the previous year

**ACTION: Mrs Nichols**

- The Committee went on to discuss the protocol around individuals seeking to find out who had made the complaint in the first instance through the whistleblowing policy. Mrs Nichols confirmed that although there was not anything in the policy prohibiting people from carrying out their own investigations, it would be covered in other policies under code of conduct and would be discouraged in all cases. Mrs Nichols agreed to take this away and consider whether to add some wording in the Whistleblowing Policy

**ACTION: Mrs Nichols**

**RESOLVED: The report was NOTED by the Committee**

## **8 FORWARD PLAN**

Ms Gibb presented the forward plan to the Committee.

Ms Gibb updated the Committee that on an annual basis after the meeting in July a private session would be held when Ms Gibb will run through any issues or questions Committee Members had.

The Chairman reiterated that all members of Regulatory and Audit Committee are encouraged to attend meetings of the Risk Management Committee.

**RESOLVED: The Committee NOTED the forward plan.**

## **9 DATE AND TIME OF NEXT MEETING**

Wednesday 26 July, 9am in Mezz 1 County Hall.

## **10 EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED**

**That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)**

### **11 CONFIDENTIAL MINUTES**

### **12 LIMITED ASSURANCE INTERNAL AUDIT REPORT**

### **13 BUCKINGHAMSHIRE CARE UPDATE**

### **14 AOB**

The Committee discussed the process of reporting risks across the organisation and in relation to ADVs and wanted assurances that the same issues would not be experienced again.

Ms Gibb stated that the roll out of the new system had been very successful with all business units using it and reporting to senior management teams. Ms Gibb and her team were working closely with the contract supplier management group and each Platinum, Platinum Plus and Gold risk registers were on the new risk management system. The additional reporting facilities of the system meant that there was now more visibility of risks across the organisation.

The Committee requested that the sign off for the 2016/17 accounts which reflected the impact of the audit of Bucks Care be shared. Ms Gibb agreed to put this on a future meeting.

**ACTION: Ms Gibb**

**CHAIRMAN**



# Regulatory and Audit Committee

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<b>Title:</b>	<b>Statement of Accounts for the year ended 31 March 2017</b>
<b>Date:</b>	26 July 2017
<b>Author:</b>	Richard Ambrose –Director of Assurance
<b>Contact officer:</b>	Rachael Martinig – Accountant Telephone (01296) 387883
<b>Electoral divisions affected:</b>	All

## Summary

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

On 24 May 2017 this Committee received the Unaudited Statement of Accounts for the Council and Pension Fund. At that stage the audit of the accounts had not commenced. Grant Thornton has now completed this work. Representatives from Grant Thornton will provide an update on their findings at the meeting as detailed in their Audit Findings Report for 2016-17.

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

## Value for money conclusion

The Council is responsible for putting in place proper arrangements to:

- secure economy, efficiency and effectiveness in the use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

Grant Thornton provide a VFM conclusion based on whether the Council has proper arrangements in place for securing financial resilience and whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness in the prioritisation of resources.



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Due to the forthcoming Ofsted review we have decided to delay the Value for Money conclusion. This will be brought to the September Regulatory and Audit Committee meeting.

### **Recommendation**

**That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2016-17 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2017 can be signed by the Chairman of this Committee.**

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

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

## Statement of Accounts – Buckinghamshire County Council

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

- Beechview School had not been identified as converting to Academy status during 2016-17. This has resulted in the value of the school, £2.822m, being adjusted as an in-year disposal within Note 15 Property, Plant and Equipment. This correction also feeds through to the CIES, MiRS and Note 26 Unusable Reserves.
- An asset within Note 15 Property, Plant and Equipment was revalued upwards in error. This has resulted in an error of £2.054m. This correction has reduced the Revaluation increases recognised in the Revaluation reserves line. This correction also feeds through to the CIES, MiRS and Note 26 Unusable Reserves.
- The Energy from Waste site was made operational during 2016/17. Within Note 15 Property, Plant and Equipment the Energy from Waste site had been categorised as 'Other Land and Buildings'. As detailed in a valuation report of the Energy from Waste site £111m of the total valuation of this site relates to plant, therefore should be re-categorised from 'Other Land and Buildings' to 'Vehicles, Plant and Equipment'.

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

## Statement of Accounts - Pension Fund

Grant Thornton audited the Pension Fund Accounts recently and are proposing to issue an unqualified audit opinion on the Pension Fund's financial statements. As a consequence of the audit, changes to the fair value hierarchy disclosures (Note 12) and contractual commitments (Note 19) of the Accounts were agreed. Following the adoption of IFRS13 for Pension Fund Accounts this year the Note 12 fair value hierarchy disclosure should be limited to investments. Dividend income receivable, current assets and current liabilities have been removed from the fair value hierarchy table and the 2015-16 comparator figures have been restated. For Note 19 there were some small changes to the amount paid as at 31 March 2017 for Partners Group contractual commitments. The Audit Findings Report also recommends that the reconciliation of monthly returns from scheduled and admitted bodies in respect of their contributions to the scheme is updated on a regular basis and all significant reconciling differences appropriately resolved. Management has agreed this recommendation. The Pensions Finance Officer role responsible for reconciling monthly contributions was vacant for 3 months from December 2016 to February 2017. The vacancy was filled but the new post holder handed in their notice after 6 weeks in the role citing workload volumes as one of the reasons for leaving. As the number of employers within the Fund has increased the reconciliation of employer contributions has become increasingly onerous. An additional post has been created and two Pensions Finance Officers were appointed with effect from 3 July 2017. It is envisaged that they will quality check each other's work in addition to providing cover for each other during short term absences. It is estimated that the contributions monitoring backlog will be up to date by the end of September.

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

**Resource implications**

The overall position on the General Fund reserve is an increase of £7.124m to £24.506m. Earmarked reserves have reduced by £12.812m to £84.640m. The overall outturn and level of General Fund reserves has not changed following the audit.

**Legal implications**

None

**Other implications/issues**

None

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

None

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**Background Papers**

Statement of Accounts for the year ended 31 March 2017 – BCC and Pension Fund

Letter of Representation – BCC

Letter of Representation – Pension Fund

Draft Audit Findings Report 2016-17 - BCC (provided by Grant Thornton)

Draft Audit Findings Report 2016-17 - Pension Fund (provided by Grant Thornton)

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## **Buckinghamshire County Council**

**Business Services Plus – Consultancy**

County Hall, Walton Street  
Aylesbury, Buckinghamshire HP20 1UA

**Director of Finance and Assets**

Richard Ambrose

[www.buckscc.gov.uk](http://www.buckscc.gov.uk)

Grant Thornton  
Grant Thornton House  
Euston Square  
Melton Street  
London NW1 2EP

Dated: 26 July 2017

Dear Sirs

### **Buckinghamshire County Council Pension Fund – Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with your audit of the financial statements of Buckinghamshire County Council Pension Fund ('the Fund') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- 1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- 3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has

been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- 7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Fund have been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 12 We have considered the disclosure changes schedule included in your Audit Findings Report. The financial statements have been amended for this disclosure change and are free of material misstatements, including omissions.
- 13 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to

the Fund's ability to continue as a going concern need to be made in the financial statements.

14 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Information Provided**

15 We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

16 We have communicated to you all deficiencies in internal control of which management is aware.

17 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18 All transactions have been recorded in the accounting records and are reflected in the financial statements.

19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

21 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

22 We have drawn to your attention all correspondence and notes of meetings with regulators.

23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

25 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Regulatory and Audit Committee at its meeting on 26 July 2017.

Yours faithfully

Signed .....

Signed .....

Name Richard Ambrose

Name David Martin

Position Director of Assurance

Position Chairman of Regulatory & Audit Committee

Date .....

Date .....

Signed on behalf of Buckinghamshire County Council as administering body of the Buckinghamshire County Council Pension Fund.



## **Buckinghamshire County Council**

**Business Services Plus – Consultancy**

County Hall, Walton Street  
Aylesbury, Buckinghamshire HP20 1UA

### **Director of Finance and Assets**

Richard Ambrose

[www.buckscc.gov.uk](http://www.buckscc.gov.uk)

Grant Thornton  
Grant Thornton House  
Euston Square  
Melton Street  
London NW1 2EP

Dated: 26 July 2017

Dear Sirs

### **Buckinghamshire County Council – Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law. We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

1. We have fulfilled our responsibilities for the preparation of 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 ("the Code") which give a true and fair view in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a

material effect on the financial statements in the event of non-compliance.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
7. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Council has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
8. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
10. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
12. We have considered the adjusted misstatement, misclassification and disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
13. The financial statements are free of material misstatements, including omissions.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
15. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will

be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

16. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
17. We have communicated to you all deficiencies in internal control of which management is aware.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
20. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
21. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
23. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
24. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

25. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

26. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Regulatory and Audit Committee at its meeting on 26 July 2017.

Yours faithfully

Signed .....

Name Richard Ambrose

Position Director of Assurance

Date .....

Signed .....

Name David Martin

Position Chairman of Regulatory & Audit Committee

Date .....

Signed on behalf of Buckinghamshire County Council

# The Audit Findings for Buckinghamshire County Council

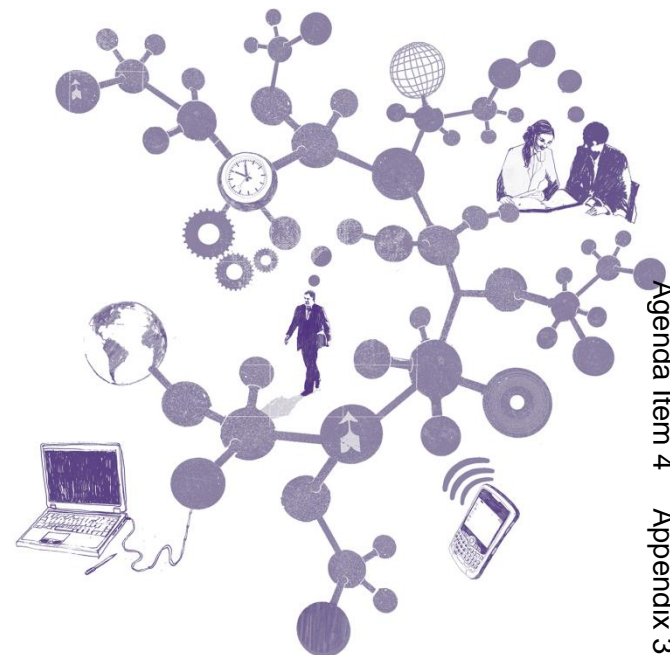
**Year ended 31 March 2017**

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

02. Audit findings

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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**
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

## 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>

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"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>

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# 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
<p><b>Operating expenses</b></p>	<p>Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Completeness)</p>	<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>
<p><b>Employee remuneration expenditure</b></p>	<p>Employee remuneration and benefit obligations and expenses understated (Completeness)</p>	<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>

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"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
Revenue recognition	<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>● Green</p>
Going concern	<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>● Green</p>

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**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements - changes to the presentation of local authority financial statements</b>	<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>	 <b>Green</b>
<b>Valuation of the net pension fund liability</b>	<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>	 <b>Amber</b>

**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>

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**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Other judgements and estimates</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>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.</p>	<p style="text-align: center;">● <b>Green</b></p>

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**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>


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# 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>

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**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

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- 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>

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**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>

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**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>

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**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>

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**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 met 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>

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### **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).

OT\* 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

69. 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	

09

## 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.

6 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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# Buckinghamshire County Council Pension Fund

## Statement of Accounts

For the year ended 31 March 2017

## Pension Fund Accounts

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE COUNTY COUNCIL

We have audited the pension fund 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 pension fund financial statements comprise the Pension Fund Account, the Net Assets 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 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 for the Statement of Accounts, the Director of Finance and Assets is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 pension fund 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 pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Assets; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund 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 the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared 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

## Pension Fund Accounts

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In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Ciaran McLaughlin  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square  
London  
EC2A 1AG

## Description of the Fund

Buckinghamshire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Buckinghamshire County Council. Organisations participating in the Fund include the County Council, Milton Keynes Council, the district and parish Councils of Buckinghamshire, Thames Valley Police, Buckinghamshire Fire and Rescue Service, and other scheduled and admitted bodies. These are listed in Note 21 to these Financial Statements. Teachers, fire fighters and police officers, for whom separate pension schemes apply, are excluded from the Pension Fund.

The purpose of the Pension Fund is to provide defined benefits for employees and their widows, widowers and children, based on pay and past service. The scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Employee contribution bands range from 5.5% to 12.5% of pensionable pay for the year ending 31 March 2017. In April 2014 a 50/50 option was introduced which means members can pay half their contribution rate and build up half the pension benefit whilst retaining full value of other scheme benefits such as death in service lump sum and ill health cover. Accrued pension is revised annually in line with the Consumer Prices Index. Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. More details of benefits provided under the scheme are available on the Council's pension website.

<http://www.bucksc.gov.uk/about-your-council/local-government-pension-fund/scheme-members/>

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. In response to the government agenda, Project Brunel was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The collective assets of the pool are approximately £23 billion.

The objective of pooling the assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets is expected to begin April 2018 through to 2020 for the majority of the assets, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates about the project can be found on the Project Brunel website at: [www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)

## Membership of the Fund

The following summarises the membership of the Fund:

<b>31 March 2016</b>	<b>Membership of the Fund</b>	<b>31 March 2017</b>
24,552	Contributors	22,754
16,728	Pensioners	17,566
24,362	Deferred pensioners	26,699
<b>65,642</b>	<b>Total Membership of the Fund</b>	<b>67,019</b>

## Pension Fund Accounts

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### Investment Strategy Statement

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The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. The Investment Strategy Statement can be viewed on the Council's website.

<https://democracy.buckscc.gov.uk/documents/b27818/Supplement%20Item%205%20-%20Investment%20Strategy%20Statement%20and%20Item%209%20Currency%20Hedging%2022nd-Mar-2017%2010.00%20.pdf?T=9>

### Further Information

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The County Council publishes a separate Annual Report on the Pension Fund, which gives more detailed information, a copy can be viewed on the Council's pension website.

<http://www.buckscc.gov.uk/services/council-and-democracy/local-government-pension-scheme/investment/pension-fund-annual-reports/>

### Pension Fund Account for the Year Ended 31 March 2017

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The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

31 March 2016 £000	Pension Fund Account	Note	31 March 2017 £000
	<b>Dealings with Members, Employers and Others directly Involved in the Fund</b>		
	<b>Income</b>		
(114,867)	Contributions	3	(120,799)
(5,822)	Transfers in from other pension funds	4	(14,985)
(118)	Other income		(78)
<b>(120,807)</b>			<b>(135,862)</b>
	<b>Benefits</b>	5	
78,605	Pensions		81,960
22,302	Commutation of pensions and lump sums		24,368
	<b>Payments to and on Account of Leavers</b>	6	
345	Refunds of contributions		1,172
3,033	Transfers out to other pension funds		12,658
<b>104,285</b>			<b>120,158</b>
<b>(16,522)</b>	<b>Net Additions from Dealings with Members</b>		<b>(15,704)</b>
<b>15,807</b>	<b>Management expenses</b>	7	<b>17,194</b>
	<b>Returns on Investments</b>		
(43,057)	Investment income	8	(46,777)
27,018	Profits and losses on disposal of investments and changes in the market value of investments	9	(429,377)
1,259	Taxes on income	16	333

(14,780)	<b>Net Returns on Investments</b>	(475,821)
(15,495)	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>	(474,331)

### Net Assets Statement

31 March 2016 £000	Net Assets Statement	Note	31 March 2017 £000
	<b>Investments</b>		
	Fixed interest securities		
32,425	▪ Public sector		29,269
187,358	▪ Other		234,902
647,352	Equities - quoted		852,632
88,460	Index-linked securities		74,834
995,693	Pooled investment vehicles		1,204,325
186,330	Unit trusts - property		183,581
69,072	Cash deposits		87,736
(298)	Derivative contracts		385
7,157	Dividend income receivable		7,848
<b>2,213,549</b>	<b>Net Investments</b>	11	<b>2,675,512</b>
	- Borrowings - sterling		-
<b>12,468</b>	Current assets	15	<b>24,372</b>
<b>(4,764)</b>	Current liabilities	15	<b>(4,300)</b>
<b>2,221,253</b>	<b>Net Assets of the Fund Available to Fund Benefits at 31 March</b>		<b>2,695,584</b>

## 1. Basis of Preparation

The accounts summarise the fund's transactions for the 2016/17 financial year and its position at year end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 18 of these accounts.

The Pension Fund is administered by Buckinghamshire County Council, but the Fund balances are not included in Buckinghamshire County Council's Consolidated Balance Sheet.

## 2. Accounting Policies and Critical Judgements in Applying Accounting Policies

### Accounting Policies

#### Accruals of Income and Expenditure

The financial statements are prepared on an accruals basis, unless otherwise stated. That is, income and expenditure are recognised as they are earned or incurred, not as they are received or paid.

Contributions, benefits and investment income are included on an accruals basis. All settlements for buying and selling investments are accrued on the day of trading. Interest on deposits is accrued if not received by the end of the financial year. Investment management expenses are accounted for on an accruals basis. Administrative

## Pension Fund Accounts

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expenses are accounted for on an accruals basis, staff costs are paid by Buckinghamshire County Council then recharged to the Pension Fund at the year end and group transfers to and from the Fund are accounted for on an accruals basis unless negotiations it is too early in the negotiations for an estimate of the value to be available. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Net Assets Statement. Some additional payments are made to beneficiaries on behalf of certain employers. These payments are subsequently reimbursed by those employers. The figures contained in the accounts are shown exclusive of both payments and reimbursements.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Individual transfers in / out are accounted for when received / paid, which is normally when the member liability is accepted or discharged.

### Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as dividend income receivable. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits / losses during the year.

### Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### Management Expenses

All management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. These are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Global Thematic Partners – global equities
- Investec Asset Management – global equities
- Mirabaud – UK equities
- Royal London Asset Management – bonds
- Schroders – global equities
- Standard Life – UK equities

### Financial Instruments

Financial Instruments that are “held for trading” are classified as financial assets and liabilities at fair value through profit or loss when the financial instrument is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- A derivative.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value excluding transaction costs and carried at fair value without any deduction for transaction costs that would be incurred on sale or disposal.

Financial instruments have been classified as Loans and Receivables when they have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at Fair Value and carried at historic cost as they are all short term.



The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the fund manager in accordance with industry guidelines.

### **Foreign Currency Transactions**

Foreign currency transactions are translated into sterling at the exchange rate ruling at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Currently the Fund only holds forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

### **Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **Contingent Assets and Liabilities**

Contingent liabilities are disclosed by way of a note when there is a possible obligation which may require a payment or a transfer of economic benefits. The timing of the economic transfer and the level of certainty attaching to the event are such that it would be inappropriate to make a provision.

Contingent assets are disclosed by way of a note where inflow or a receipt or an economic benefit is possible and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Pension Fund.

### **Critical Judgements in Applying Accounting Policies**

#### **Unquoted private equity investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association.

#### **Pension Fund Liability**

The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The last such valuation took place as at 31 March 2016, the past service funding level of the Fund as a whole increased from 82% to 87% between 31 March 2013 and 31 March 2016. The next valuation will take place as at 31 March 2019. The methodology used is in line with accepted guidelines and in accordance with IAS19.

#### **Events After The Reporting Date**

Since 31 March 2017, there has been some volatility in the financial markets, there would be an impact on the market value of the fund's investments were they to be valued as at the date these accounts were authorised. These changes are deemed to be non-adjusting post balance sheet events. There have been no events since 31 March 2017, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

#### **Accounting Standards that have been issued but not yet adopted**

## Pension Fund Accounts

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The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Accounting changes introduced in the 20187/19 Code relate to the reporting of IFRS9 Financial Instruments requiring new classification categories for financial instruments and additional disclosures. IFRS15 Revenue from contracts with customers sets out the requirements for recognising revenue that apply to contracts with customers.

### 3. Contributions

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Contributions relating to wages and salaries paid up to 31 March 2017 have been included in these accounts.

<b>2015/16</b>	<b>Contributions</b>	<b>2016/17</b>
<b>£000</b>		<b>£000</b>
	<b>Employers</b>	
(25,997)	Administering authority	(26,450)
(49,236)	Scheduled bodies	(58,628)
(11,026)	Admitted bodies	(7,276)
	<b>Employers' Augmentation Costs</b>	
-	Administering authority	-
(400)	Scheduled bodies	-
-	Admitted bodies	-
	<b>Members</b>	
(7,199)	Administering authority	(7,549)
(18,098)	Scheduled bodies	(19,576)
(2,911)	Admitted bodies	(1,320)
<b>(114,867)</b>	<b>Total Contributions</b>	<b>(120,799)</b>

### 4. Transfer Values

---

<b>2015/16</b>	<b>Transfers in from other pension funds</b>	<b>2016/17</b>
<b>£000</b>		<b>£000</b>
-	Group transfers	(6,061)
(5,822)	Individual transfers	(8,924)
<b>(5,822)</b>	<b>Total Transfers in from other pension funds</b>	<b>(14,985)</b>

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2017 there were 5 outstanding transfer values receivable greater than £50k, for which £785k had not been received. (no outstanding transfer values receivable on 31 March 2016).

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

## 5. Benefits

Benefits include all valid benefit claims notified during the financial year.

2015/16 £000	Benefits	2016/17 £000
	<b>Pensions</b>	
30,610	Administering authority	31,350
42,010	Scheduled bodies	44,077
5,985	Admitted bodies	6,533
20,411	Commutations of pensions and lump sum retirement benefits	21,515
1,891	Lump sum death benefits	2,853
<b>100,907</b>	<b>Total Benefits</b>	<b>106,328</b>

## 6. Payments to and on Account of Leavers

2015/16 £000	Payments to and on Account of Leavers	2016/17 £000
236	Refunds to members leaving service	671
109	Payments for members joining the state scheme	501
267	Group transfers to other pension funds	1,615
2,766	Individual transfers to other pension funds	11,043
<b>3,378</b>	<b>Total Payments to and on Account of Leavers</b>	<b>13,830</b>

The individual transfer values relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2017 there were no outstanding individual transfer values payable greater than £50k. On 31 March 2016 there were 5 outstanding individual transfer values payable greater than £50k, for which £513k had not been paid.

On 31 March 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016); the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

## 7. Management Expenses

2015/16 £000	Management Expenses	2016/17 £000
1,382	Administrative costs	1,779
13,900	Investment management expenses	14,808
500	Oversight and governance costs	583
25	External Audit Fee	24
<b>15,807</b>	<b>Total Management Expenses</b>	<b>17,194</b>

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management

## Pension Fund Accounts

expenses and oversight / governance costs. Management fees for pooled funds and transaction costs have been included in the investment management expenses.

The investment management expenses include £1.562m (£2.038m in the 2015/16 financial year) in respect of performance related fees payable to the fund's investment managers. It also includes £1.566m in respect of transaction costs (£1.601m in the 2015/16 financial year).

### 8. Investment Income

<b>2015/16</b>	<b>Investment Income</b>	<b>2016/17</b>
<b>£000</b>		<b>£000</b>
(10,349)	Interest from fixed interest securities	(10,897)
(20,305)	Dividends from equities	(22,970)
(692)	Income from index-linked securities	(498)
(32)	Interest on cash deposits	18
(6,564)	Income from property unit trusts	(7,858)
(5,115)	Other	(4,572)
<b>(43,057)</b>	<b>Total Investment Income</b>	<b>(46,777)</b>

### 9. Investments

All investments are valued on a fair value basis and where there is an active market the bid price is the appropriate quoted market price. The investment accounting information is provided by BNY Mellon, the Fund's custodian bank.

<b>Investments (All values are shown £000)</b>	<b>Value at 31 March 2016</b>	<b>Reclassification of Assets</b>	<b>Purchases at Cost</b>	<b>Sales Proceeds</b>	<b>Realised Profit / (Loss)</b>	<b>Unrealised Profit / (Loss)</b>	<b>Value at 31 March 2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fixed interest securities	219,783	-	101,284	(70,353)	3,497	9,960	264,171
Equities - quoted	647,353	-	576,778	(561,042)	82,313	107,230	852,632
Index-linked securities	88,460	-	401,210	(427,762)	10,690	2,236	74,834
Pooled investment vehicles	995,692	-	45,266	(50,431)	8,044	205,754	1,204,325
Unit Trusts - property funds	186,330	-	25,654	(27,096)	(6,378)	5,071	183,581
Derivative contracts	(298)	-	3,525	(1,549)	(1,976)	683	385
Cash deposits	69,072	-	-	16,411	-	2,253	87,736
	<b>2,206,392</b>	<b>-</b>	<b>1,153,717</b>	<b>(1,121,822)</b>	<b>96,190</b>	<b>333,187</b>	<b>2,667,664</b>
Investment income due	7,157						7,848
	<b>2,213,549</b>						<b>2,675,512</b>

Investments (All values are shown £000)	Value at 31 March 2015 £000	Reclassification of Assets £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit / (Loss) £000	Unrealised Profit / (Loss) £000	Value at 31 March 2016 £000
Fixed interest securities	217,693	-	86,476	(76,217)	2,744	(10,913)	219,783
Equities - quoted	683,237	-	527,655	(518,742)	17,421	(62,218)	647,353
Index-linked securities	87,050	-	449,030	(448,114)	1,914	(1,420)	88,460
Pooled investment vehicles	983,239	-	73,015	(72,750)	6,835	5,353	995,692
Unit Trusts - property funds	160,074	-	53,492	(40,326)	(872)	13,962	186,330
Derivative contracts	606	-	2,868	(3,287)	419	(904)	(298)
Cash deposits	50,197	-	-	18,214	-	661	69,072
	<b>2,182,096</b>	<b>-</b>	<b>1,192,536</b>	<b>(1,141,222)</b>	<b>28,461</b>	<b>(55,479)</b>	<b>2,206,392</b>
Investment income due	6,453						7,157
	<b>2,188,549</b>						<b>2,213,549</b>

Pooled investment vehicles are funds where the Pension Fund is not the named owner of specific investments such as shares or bonds, but owns a proportion of a pooled fund. The Code requires that pooled investments are analysed between unit trusts, unitised insurance policies and other managed funds. The pooled investment vehicles in the tables above are other managed funds. These funds include the following types of investments:

- Equities
- Fixed interest securities
- Index linked securities
- Hedge fund of funds
- Diversified growth funds
- Private equity fund of funds

The change in the fair value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. The Fund's investments in derivatives are not material and therefore further disclosures are not included in the accounts. Indirect costs are incurred through the bid-offer spread on investments within pooled investments.

The Fund does not participate directly in a stock lending programme.

On 31 March 2017 assets which exceed 5% of the total value of the net assets of the Fund are a £166.2m, 6.2%, investment in Legal & General's All Stocks Index-Linked Gilt Fund (£138.7m as at 31 March 2016) and a £172.6m, 6.4%, investment in Legal & General's Europe (ex UK) Equity Index Fund (£134.9m as at 31 March 2016).

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to hedges through its investments in a hedge fund of funds pooled investment vehicle, and so the hedge disclosure is not applicable to this type of investment.

10. Investment Management Arrangements

The value of the Fund with the fund managers as at 31 March 2017 was £2,670m (£2,168m at 31 March 2016). Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager	Mandate	Negotiated Fee Basis	Proportion of Fund 31 March 2016	Proportion of Fund 31 March 2017
Aviva Investors	Property	Percentage of fund	9%	7%
BlackRock	Cash / inflation plus	Percentage of fund	4%	5%
Blackstone Alternative Asset Management	Hedge fund of funds	Percentage of fund	4%	5%
Global Thematic Partners	Less constrained global equities	Performance related fee	6%	7%
Investec Asset Management	Less constrained global equities	Performance related fee	8%	8%
Legal & General Investment Management	Passive index-tracker	Percentage of fund	27%	28%
Mirabaud Investment Management Limited	UK equities	Performance related fee	5%	5%
Pantheon Private Equity	Private equity	Percentage of Funds Committed & Incentive Fee	6%	6%
Partners Group	Private equity	Percentage of fund	2%	2%
Royal London Asset Management	Core plus bonds	Performance related fee	15%	14%
Schroders	Less constrained UK equities	Performance related fee	7%	8%
Standard Life Investments	Less constrained UK equities	Performance related fee	5%	5%

## 11. Analysis of the Value of Investments

31 March 2016 £000	Analysis of the Value of Investments	31 March 2017 £000
	<b>Fixed Interest Securities</b>	
30,092	UK public sector	27,906
2,333	Overseas public sector	1,363
187,358	UK other	234,902
-	Overseas other	-
<b>219,783</b>	<b>Total Fixed Interest Securities</b>	<b>264,171</b>
	<b>Equities</b>	
201,877	UK quoted	251,374
445,475	Overseas quoted	601,258
<b>647,352</b>	<b>Total Equities</b>	<b>852,632</b>
	<b>Other</b>	
88,460	Index-linked securities public sector	74,834
-	Index-linked securities other	-
995,693	Pooled Investment vehicles	1,204,325
186,330	Unit Trusts - property funds	183,581
(298)	Derivatives	385
69,072	Cash deposits – sterling and foreign cash	87,736
7,157	Dividend income receivable	7,848
<b>1,346,414</b>	<b>Total Other</b>	<b>1,558,709</b>
<b>2,213,549</b>	<b>Total Value of Investments</b>	<b>2,675,512</b>

## Pension Fund Accounts

### 12. Financial Instruments

The Net Assets of the Fund disclosed in the Net Assets Statement are made up of the following categories of financial instruments:

31 March 2016			31 March 2017		
Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000	Fair value through profit and loss £000	Loans And Receivables £000	Financial Liabilities At amortised cost £000
<b>Financial Assets</b>					
219,783	-	-	264,171	-	-
647,352	-	-	852,632	-	-
88,460	-	-	74,834	-	-
995,693	-	-	1,204,325	-	-
186,330	-	-	183,581	-	-
-	-	-	385	-	-
7,157	-	-	7,848	-	-
-	69,072	-	-	87,736	-
-	4,158	-	-	14,925	-
<b>2,144,775</b>	<b>73,230</b>	<b>-</b>	<b>2,587,776</b>	<b>102,661</b>	<b>-</b>
<b>Financial Liabilities</b>					
(298)	-	-	-	-	-
-	-	-	-	-	-
-	-	(3,952)	-	-	(3,471)
-	-	<b>(3,952)</b>	-	-	<b>(3,471)</b>
<b>2,144,477</b>	<b>73,230</b>	<b>(3,952)</b>	<b>2,587,776</b>	<b>102,661</b>	<b>(3,471)</b>

The net gains and losses on financial instruments are shown in the table below.

31 March 2016 £000		31 March 2017 £000	
<b>Financial Assets</b>			
13,525	Fair value through profit and loss	475,729	
1,255	Loans and receivables	91	
-	Financial liabilities measured at amortised cost	-	
<b>Financial Liabilities</b>			
-	Fair value through profit and loss	-	
381	Loans and receivables	481	
-	Financial liabilities measured at amortised cost	-	
<b>15,161</b>	<b>Total</b>	<b>476,301</b>	

The code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair



value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

### Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1:** Financial instruments where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, quoted equities are classified as level 1. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2:** Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data, e.g. fixed interest securities.

**Level 3:** Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity fund of funds in which the Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are audited annually as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.

The values of the hedge fund of funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Value at 31 March 2017	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	264,171	-	264,171
UK equities - quoted	251,374	-	-	251,374
Overseas equities - quoted	601,258	-	-	601,258
Index-linked securities	-	74,834	-	74,834
Pooled investment vehicles	772,344	-	431,981	1,204,325
Property – unit trusts	-	183,581	-	183,581
Derivatives	-	385	-	385
Cash deposits	-	87,736	-	87,736
Borrowings	-	-	-	-
<b>Total</b>	<b>1,624,976</b>	<b>610,707</b>	<b>431,981</b>	<b>2,667,664</b>

## Pension Fund Accounts

Following the adoption of IRFS13 for Pension Fund accounts the fair value hierarchy disclosure should be limited to investments. Dividend income receivable, current assets and current liabilities have been removed from the fair value hierarchy table and the 2015/16 comparator figures have been restated.

Restated Value at 31 March 2016	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	219,783	-	219,783
UK equities - quoted	201,877	-	-	201,877
Overseas equities - quoted	445,475	-	-	445,475
Index-linked securities	-	88,460	-	88,460
Pooled investment vehicles	612,221	-	383,472	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
Cash deposits	-	69,072	-	69,072
Borrowings	-	-	-	-
<b>Total</b>	<b>1,259,573</b>	<b>563,347</b>	<b>383,472</b>	<b>2,206,392</b>

Original Value at 31 March 2016	Quoted	Using	With	Total
	Market	Observable	Significant	
	Price	Inputs	Unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Fixed interest securities	-	219,783	-	219,783
UK equities - quoted	201,877	-	-	201,877
Overseas equities - quoted	445,475	-	-	445,475
Index-linked securities	-	88,460	-	88,460
Pooled investment vehicles	612,221	-	383,472	995,693
Property – unit trusts	-	186,330	-	186,330
Derivatives	-	(298)	-	(298)
Dividend income receivable	-	7,157	-	7,157
Cash deposits	-	69,072	-	69,072
Borrowings	-	-	-	-
Current assets	-	12,468	-	12,468
Current liabilities	-	(4,764)	-	(4,764)
<b>Total</b>	<b>1,259,573</b>	<b>578,208</b>	<b>383,472</b>	<b>2,221,253</b>

The Fund's fund managers provided the following commentary on the valuation methods they use:

### Blackstone – Fund of Hedge Funds

Blackstone's direct securities and derivative investments made through Blackstone's fund of hedge fund vehicles, such as Securities, Options, Futures are valued using prices quoted on the relevant exchanges. Forward currency contracts are valued at the current forward market prices obtained from brokers. Total return swaps are valued using the last reported public closing price of the underlying index.

**Partners Group – Private Equity**

Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP).

Partners Group gathers the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

**LGIM – Passive Tracker Fund**

The method used to value units is the same at every valuation date throughout the year. All holdings of the appropriate Pooled Fund Sections are valued at the close of business valuation point using a recognised pricing service. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates the "Mid Value").

**Aviva – Property Fund**

Aviva rely on the NAV provided by each fund manager, computed in accordance with appropriate local standards, incorporating independent valuations conducted from suitably qualified external providers. These external NAVs are subject to review by Aviva Investors Real Estate Multi Manager (REMM) team.

They also employ an independent external accountant, Langham Hall, to undertake analysis of each fund's NAV when reported, in addition to that undertaken by the REMM team.

Wherever possible, and through the use of side letters if necessary, we seek to ensure consistency of reporting to an IFRS INREV NAV standard basis. Where this is not possible, managers are asked to provide the building blocks to create this analysis. They then work with Langham Hall, to reconcile back to the NAV provided in the fund's normal accounting standards.

**Pantheon – Private Equity**

Investments are valued using the most relevant of methods listed below:

- Cost/recent round of financing/price of recent investment where recent transactions may be the most reflective of fair value.
- Comparable Private Company Transactions used for companies with low enterprise value or low EBITDA which means it is not appropriate to use earnings multiples of similar publicly listed companies.
- Earnings/Earnings Multiples /Performance Multiples valuations involve applying a multiple, appropriate to the company being valued, to the earnings of a company. The valuation is described as a function of two variables, price and earnings (The most widely used of the valuation methodologies, especially for buyout or other businesses that have comparable characteristics to companies in the public markets).
- Underlying value of Net Assets.
- Discounted Cash flows (DCF) where there are predictable cash flows visible over a given time horizon.
- Industry Benchmarks are normally based on the assumption that investors are willing to pay for market share, and that profitability of the business in the does not vary greatly.
- Unrestricted Publicly traded securities are valued at the closing public market price on the valuation date.

These methods are consistently applied across all investment types.

**BlackRock Institutional Jersey Dynamic Diversified Growth Fund**

The above Fund is a sub-fund of the BlackRock Institutional Jersey Funds umbrella which reports under UK SORP and is not exchange-traded. The price is determined daily by the Funds Administrator and will be representative of the Fund's net asset value ("NAV") at each dealing point subject to any spreads applied, where appropriate. The Fund is not subject to any redemption notice periods and can be redeemed at each dealing point, currently on a daily basis.

### 13. Additional Financial Risk Management Disclosures

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The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund Committee manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Pension Fund Risk Assessment analyses the risks faced by the Council's pensions operations, it is reviewed regularly by the Pension Fund Committee to reflect changes in activity and in market conditions. The analysis below is designed to meet the disclosure requirements of IFRS 7.

#### **Market Risk**

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices of equities, commodities, interest rates, foreign exchange rates and credit spreads. This could be as a result of changes in market price, interest rates or currencies. The objective of the Fund's Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class, investment manager, country, industry sector and individual securities. Each manager is expected to maintain a diversified portfolio within their allocation.

#### **Market Price Risk**

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

#### **Market Price - Sensitivity Analysis**

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. The Fund's investment consultant undertakes triennial strategy reviews following the triennial actuarial valuation to ensure that the asset allocation of the Fund remains appropriate to expectations for its liabilities both in the short term and in the long term. The latest review, carried out by Mercer in March 2017, showed that the overall risk factor (standard deviation) for the Fund is 13.4%. The next review is due in early 2020 following the triennial valuation, interim strategy reviews can be undertaken if required. Following analysis of historical data and expected investment return movement during the financial year, applying a 13.4% movement in market price risk which is reasonably possible for the 2016/17 reporting period, if the market price of the Fund's investments does increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

<b>Asset Type</b>	<b>31 March 2017 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Fixed interest securities	264,171	13.4	299,570	228,772
UK equities – quoted	251,374	13.4	285,058	217,690
Overseas equities – quoted	601,258	13.4	681,827	520,689
Index-linked securities	74,834	13.4	84,862	64,806
Pooled investment vehicles	738,264	13.4	837,192	639,337
Property - unit trusts	183,581	13.4	208,181	158,981
Alternatives	466,061	13.4	528,513	403,609
Derivative contracts	385	13.4	437	333
Cash deposits	87,736	13.4	99,493	75,979
Investment income due	7,848	13.4	8,900	6,796
<b>Total</b>	<b>2,675,512</b>		<b>3,034,033</b>	<b>2,316,992</b>

Following analysis of historical data and expected investment return movement during the financial year, State Street GS Performance Services has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period and if the market price of the Fund's investments had increased/decreased in line with the table below, the change in the market price of net assets available to pay benefits would have been as follows.

<b>Asset Type</b>	<b>31 March 2016 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
Fixed interest securities	219,783	6.01	232,992	206,574
UK equities – quoted	201,877	10.69	223,458	180,296
Overseas equities – quoted	445,475	10.51	492,294	398,656
Index-linked securities	88,460	7.45	95,050	81,870
Pooled investment vehicles	620,506	11.46	691,616	549,396
Property - unit trusts	186,330	2.67	191,305	181,355
Alternatives	375,187	2.61	384,979	365,395
Derivative contracts	(298)	2.61	(290)	(306)
Cash deposits	69,072	0.01	69,079	69,065
Investment income due	7,157	11.46	7,977	6,337
<b>Total</b>	<b>2,213,549</b>		<b>2,388,460</b>	<b>2,038,638</b>

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact income to the fund and the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change in value. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

## Pension Fund Accounts

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
<b>As at 31 March 2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits	87,736	-	-
Cash balances (not forming part of the investment assets)	4,176	-	-
Fixed interest securities	264,171	2,642	(2,642)
<b>Total</b>	<b>356,083</b>	<b>2,642</b>	<b>(2,642)</b>

Asset Type	Value	Change for the year in net assets available to pay benefits	
		1%	-1%
<b>As at 31 March 2016</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits	69,072	-	-
Cash balances (not forming part of the investment assets)	2,732	-	-
Fixed interest securities	219,783	2,198	(2,198)
<b>Total</b>	<b>291,587</b>	<b>2,198</b>	<b>(2,198)</b>

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa.

Income Source	Value	Change for the year on income values	
		1%	-1%
<b>As at 31 March 2017</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits / cash and cash equivalents	148	15	(15)
Fixed interest securities	10,897	-	-
<b>Total</b>	<b>11,045</b>	<b>15</b>	<b>(15)</b>

Income Source	Value	Change for the year on income values	
		1%	-1%
<b>As at 31 March 2016</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash deposits / cash and cash equivalents	32	3	(3)
Fixed interest securities	10,349	-	-
<b>Total</b>	<b>10,381</b>	<b>3</b>	<b>(3)</b>

Changes in interest rates do not impact on the value of cash / cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

### Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated

investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies, with the exception of the European element of the Aviva property mandate.

### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 9.67% movement in exchange rates in either direction for 31 March 2017. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 9.67% fluctuation in the currency is considered reasonable. A 9.67% weakening or strengthening of Sterling against the various currencies at 31 March 2017 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2017	Value on increase	Value on decrease
	£000	£000	£000
		+9.67%	-9.67%
Fixed interest securities	-	-	-
Equities – quoted	563,439	617,924	508,954
Index-linked securities	7,669	8,411	6,927
Pooled investment vehicles	207,311	227,358	187,264
Property - unit trusts	4,142	4,543	3,741
Cash deposits	1,746	1,915	1,577
<b>Total</b>	<b>784,307</b>	<b>860,151</b>	<b>708,463</b>

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 6.39% movement in exchange rates in either direction for 31 March 2016. This analysis assumes that all variables, in particular interest rates, remain constant. State Street GS Performance Services provided data on currency risk for various currencies, based on the composition of the Fund's currency exposure a 6.39% fluctuation is considered reasonable. A 6.39% weakening or strengthening of Sterling against the various currencies at 31 March 2016 would have increased or decreased the net assets by the amount shown in the following table.

Currency Exposure by Asset Type	31 March 2016	Value on increase	Value on decrease
	£000	£000	£000
		+6.39%	-6.39%
Fixed interest securities	-	-	-
Equities – quoted	416,302	442,904	389,700
Index-linked securities	-	-	-
Pooled investment vehicles	191,321	203,546	179,096
Property - unit trusts	7,927	8,434	7,420
Cash deposits	14,599	15,532	13,666
<b>Total</b>	<b>630,149</b>	<b>670,416</b>	<b>589,882</b>

One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

### Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 9.41% for the US Dollar and 9.18% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2017 would have increased or decreased the net assets by the amounts shown in the following table.

## Pension Fund Accounts

<b>Asset Type</b>	<b>31 March 2017 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
US Dollars	466,964	9.41	510,905	423,023
EUROs	157,924	9.18	172,421	143,427
<b>Total</b>	<b>624,888</b>		<b>683,326</b>	<b>566,450</b>

Data on currency risk of 7.78% for the US Dollar and 6.77% for the EURO was provided by State Street GS Performance Services. Weakening or strengthening of Sterling against US Dollars and EUROs at 31 March 2016 would have increased or decreased the net assets by the amounts shown in the following table.

<b>Asset Type</b>	<b>31 March 2016 £000</b>	<b>Percentage Change %</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
US Dollars	391,472	7.78	421,929	361,015
EUROs	138,385	6.77	147,754	129,016
<b>Total</b>	<b>529,857</b>		<b>569,683</b>	<b>490,031</b>

### Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some sort of credit risk. The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of financial institutions and counterparties. Contractual credit risk is represented by the net payment or receipt that remains outstanding.

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2017 was £4.535m in an instant access Lloyds account. (On 31 March 2016 £2.709m was invested in an instant access Lloyds account.) Cash held by investment managers is invested with the global custodian, BNY Mellon, in a diversified money market fund rated AAAM.

### Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and sets out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer to convert in to cash. The following table summarises the Fund's illiquid assets by fund manager.



31 March 2016		31 March 2017
£000		£000
188,298	Aviva	193,323
88,852	Blackstone	128,372
145,916	Pantheon Private Equity	165,106
44,650	Partners Group	42,206
522	Hg Capital	581
<b>468,238</b>		<b>529,588</b>

#### 14. Related Parties

The Buckinghamshire County Council Pension Fund is administered by Buckinghamshire County Council and therefore there is a strong relationship between the Council and the Pension Fund.

The County Council was reimbursed £1.9m (£1.5m in the 2015/16 year) for administration costs incurred by the County Council on behalf of the Pension Fund. The County Council is also the single largest employer of members of the Pension Fund and contributed £34.0m to the Fund in 2016/17 (£33.2m in the 2015/16 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by the treasury management function of Buckinghamshire County Council, through a service level agreement. During the year to 31 March 2017, the Fund had an average investment balance of £4.7m (£7.4m in the 2015/16 year), earning interest of £27k (£43k in the 2015/16 year).

There are no members (31 March 2016 no members) of the Pension Fund Committee who are active members of the Fund, no pensioner members (31 March 2016 one pensioner member) and no deferred members (31 March 2016 no deferred members). The Director of Finance and Assets (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire County Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire County Council accounts.

#### 15. Current Assets and Liabilities

31 March 2016	Current Assets and Liabilities	31 March 2017
£000		£000
	<b>Current Assets</b>	
8,310	Contributions due from employers 31 March	9,447
2,732	Cash balances (not forming part of the investment assets)	4,176
1,426	Other current assets	10,749
<b>12,468</b>	<b>Total Current Assets</b>	<b>24,372</b>
	<b>Current Liabilities</b>	
(1,009)	Management charges	(937)
(812)	HM Revenue and Customs	(829)
(1,261)	Unpaid benefits	(519)
(1,682)	Other current liabilities	(2,015)
<b>(4,764)</b>	<b>Total Current Liabilities</b>	<b>(4,300)</b>
<b>7,704</b>	<b>Net Current Assets</b>	<b>20,072</b>

## Pension Fund Accounts

31 March 2016	Current Assets and Liabilities	31 March 2017
£000		£000
	<b>Current Assets</b>	
2,444	Central government bodies	2,720
4,954	Other local authorities	12,296
5	NHS bodies	3
2,842	Public corporations and trading funds	4,300
2,223	All other bodies	5,053
<b>12,468</b>	<b>Total Current Assets</b>	<b>24,372</b>
	<b>Current Liabilities</b>	
(814)	Central government bodies	(828)
(14)	Other local authorities	(1,615)
-	NHS bodies	-
(2,459)	Public corporations and trading funds	(944)
(1,477)	All other bodies	(913)
<b>(4,764)</b>	<b>Total Current Liabilities</b>	<b>(4,300)</b>
<b>7,704</b>	<b>Net Current Assets</b>	<b>20,072</b>

### 16. Taxes on Income

2015/16	Taxes on Income	2016/17
£000		£000
-	Withholding tax - fixed interest securities	-
1,259	Withholding tax - equities	333
<b>1,259</b>	<b>Total Taxes on Income</b>	<b>333</b>

The Fund retains the following taxation status:

- VAT input tax is recoverable on all fund activities by virtue of Buckinghamshire County Council being the administering authority.
- The fund is an exempt approved fund under the Finance Act 2004 and is therefore not liable to UK income tax or capital gains tax.
- Income earned from investments overseas in the United States and certain other countries is exempt from national taxation and therefore not subject to withholding tax.

### 17. Actuarial Position of the Fund

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

On 31 March 2016, the market value of the assets held were £2,221.253m, sufficient to cover 87% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded after an average recovery period of 16 years. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2017 and is 15.1% of payroll. In addition each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 6.2% in 2017/18, 6.3% in 2018/19 and 6.4% in 2019/20.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 82% to 87% between 31 March 2013 and 31 March 2016. The improvement of the funding position since the previous valuation is mainly due to good investment returns and employer contributions.

The main assumptions used in the valuation were:

Future assumed returns

▪ Investment return - gilts	2.4%	per annum
▪ Investment return - other bonds	3.3%	per annum
▪ Investment return - cash / temporary investments	1.8%	per annum
▪ Investment return - equities	7.4%	per annum
▪ Investment return - property	5.9%	per annum
▪ Investment return - absolute return fund (LIBOR+)	5.8%	per annum
▪ Investment return - expense allowance	-0.2%	per annum

Financial assumptions

▪ Discount rate	5.4%	per annum
▪ Pension increases	2.4%	per annum
▪ Short term pay increases	in line with CPI from 31 March 2016 to 31 March 2020	
▪ Long term pay increases	3.9%	per annum

## 18. Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2017 is £1,858m (31 March 2016 £1,440m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

For the Triennial Valuation the actuary asks the question – what is the value of the assets required based on existing investment strategy to be sufficient to meet future liabilities? For IAS 19 valuations, however, the actuary asks the question – how much would need to be borrowed on the corporate bond market to meet future liabilities?

The expected returns on the assets actually held will be different from borrowing costs, and so different amounts are required. This manifests itself in different discount rates being used in each type of valuation, and so different values are placed on the same liabilities.

<b>31 March 2016</b>		<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>
3,653,503	Present value of funded obligation	4,503,310
(2,213,549)	Fair value of scheme assets	(2,645,301)
<b>1,439,954</b>	<b>Net Liability</b>	<b>1,858,009</b>

The Present Value of Funded Obligation consists of £4,351m (£3,508m at 31 March 2016) in respect of Vested Obligation and £152m (£145m at 31 March 2016) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding

## Pension Fund Accounts

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valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

<b>31 March 2016</b>		<b>31 March 2017</b>
3.3%	RPI increases	3.6%
2.4%	CPI increases	2.7%
4.2%	Salary increases	4.2%
2.4%	Pension increases	2.7%
3.7%	Discount rate	2.8%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's liabilities is 20 years. The discount rate is the annualised yield at the 20 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 20 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.6% per annum. This is consistent with the approach used at the last accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.9% below RPI i.e. 2.7%.

Salaries are then assumed to increase at 1.5% above CPI in addition to a promotional scale.

## 19. Contingent Liabilities and Contractual Commitments

Contractual commitments that the Fund has entered into by 31 March 2017 are:

Contractual Commitments	Amount Paid as at 31 March 2016 \$000	Amount Paid as at 31 March 2017 \$000	Total Contractual Commitment \$000
Pantheon Asia Fund V LP	22,688	22,938	25,000
Pantheon Asia Fund VI LP	25,521	29,704	47,000
Pantheon USA Fund VII Limited	19,274	19,635	21,250
Pantheon USA Fund VIII Feeder LP	61,200	65,325	75,000
Pantheon Global Secondary Fund IV Feeder LP	9,975	9,975	15,000
Partners Group Global Resources 2009, LP	27,527	27,751	35,000
	<b>166,185</b>	<b>175,328</b>	<b>218,250</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Pantheon Europe Fund V "A" LP	16,548	16,548	18,125
Pantheon Europe Fund VI LP	53,560	57,980	65,000
Partners Group Global Real Estate 2008 SICAR	22,989	22,996	25,000
Partners Group Global Infrastructure 2009 SICAR	21,520	21,842	25,000
	<b>114,617</b>	<b>119,366</b>	<b>133,125</b>

These contractual commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts "called" by the funds are irregular in both size and timing over several years from the date of each original commitment. The total contractual commitment at 31 March 2017 is the same as the total contractual commitment at 31 March 2016.

On 31 March 2017 there were 7 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2016), the value of the transfers to the Fund is being negotiated between the Funds' actuaries. The income due to the Fund for 5 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available. On 31 March 2017 there were 3 group transfers from the Fund being negotiated with other Funds (2 on the 31 March 2016), the value of the transfers from the Fund is being negotiated between the Funds' actuaries. The expenditure in respect of 2 of the transfers has not been accrued since negotiations are at too early a stage for an estimate of the value to be available.

## Pension Fund Accounts

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### 20. Additional Voluntary Contributions (AVCs)

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AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Clerical Medical. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Clerical Medical invests in with profits and unit-linked funds, the financial year for this fund is 1 November to 31 October and the financial information included is for this period. These amounts are not included in the Pension Fund Net Assets Statement in accordance with regulation 5(2)c of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

<b>2015/16</b>	<b>Prudential</b>	<b>2016/17</b>
<b>£000</b>		<b>£000</b>
5,441	Value of AVC fund at beginning of year	4,085
(1,299)	Correction opening value	-
634	Employees' contributions and transfers in	650
151	Investment income	150
(842)	Benefits paid and transfers out	(850)
<b>4,085</b>	<b>Value of AVC fund at year end</b>	<b>4,035</b>

<b>1.11.2014 - 31.10.2015</b>	<b>Clerical Medical</b>	<b>1.11.2015 - 31.10.2016</b>
<b>£000</b>		<b>£000</b>
3,788	Value of AVC fund at beginning of year	3,581
149	Employees' contributions	142
235	Investment income	318
(591)	Benefits paid and transfers out	(807)
<b>3,581</b>	<b>Value of AVC fund at year end</b>	<b>3,233</b>

## 21. List of Scheduled and Admitted Bodies

### Scheduled Bodies

Buckinghamshire County Council	Stony Stratford Town Council
Buckinghamshire Fire and Rescue Service	Taplow Parish Council
Thames Valley Police	Waddesdon Parish Council
Aylesbury Vale District Council	Wendover Parish Council
Chiltern District Council	West Bletchley Town Council
Milton Keynes Council	Weston Turville Parish Council
South Bucks District Council	West Wycombe Parish Council
Wycombe District Council	Winslow Town Council
	Woburn Sands Town Council
Amersham Town Council	Wolverton & Greenleys Town Council
Aston Clinton Parish Council	Wooburn & Bourne End Parish Council
Aylesbury Town Council	Woughton Community Council
Bletchley & Fenny Stratford Town Council	
Broughton & Milton Keynes Parish Council	Alfriston School
Buckingham Town Council	Amersham School
Burnham Parish Council	Amersham & Wycombe College
Campbell Park Parish Council	Aylesbury College
Chalfont St Giles Parish Council	Aylesbury Grammar School
Chalfont St Peter Parish Council	Aylesbury High School
Chepping Wycombe Parish Council	Aylesbury Vale Academy
Chesham Bois Parish Council	Beaconsfield High School
Chesham Town Council	Beechview Academy
Chiltern Crematorium	Bedgrove Infant School
Chilterns Conservation Board	Bedgrove Junior School
Coldharbour Parish Council	Bourne End Academy
Gerrards Cross Parish Council	Bourton Meadow Academy
Great Missenden Parish Council	Bridge Academy
Hambleden Parish Council	Brill CofE Combined School
Hazlemere Parish Council	Brookmead School
Iver Parish Council	Brooksward School
Ivinghoe Parish Council	Brushwood Middle School
Kents Hill and Monkston Parish Council	Buckinghamshire New University
Lacey Green Parish Council	Buckinghamshire University Technical College
Lane End Parish Council	Burnham Grammar School
Little Marlow Parish Council	Bushfield School
Longwick-cum-Ilmer Parish Council	Castlefield School
Marlow Town Council	Chalfonts Community College
New Bradwell Parish Council	Chalfont St Peter CE Academy
Newport Pagnell Town Council	Chalfont Valley E-Act Academy
Newton Longville Parish Council	Charles Warren Academy
Olney Town Council	Chepping View Primary Academy
Penn Parish Council	Chesham Grammar School
Piddington & Wheeler End Parish Council	Chestnuts Academy
Princes Risborough Town Council	Chiltern Hills Academy
Shenley Brook End and Tattenhoe Parish Council	Chiltern Way Academy
Shenley Church End Parish Council	Cottesloe School
Stantonbury Parish Council	Danesfield School

## Pension Fund Accounts

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Denbigh School  
Denham Green E-Act Academy  
Dr Challoner's Grammar School  
Dr Challoner's High School  
E-Act Burnham Park Academy  
George Grenville Academy  
Germander Park School  
Gerrards Cross C E School  
Glastonbury Thorn First School  
Great Marlow School  
Great Missenden CoE Combined School  
Green Park School  
Hamilton Academy  
Hazeley Academy  
Heronsgate School  
Highcrest Academy  
Holmer Green Senior School  
Ickford School  
Ivingswood Academy  
John Colet School  
John Hampden Grammar School  
Kents Hill School  
Khalsa Secondary Academy  
Lace Hill Academy  
Lent Rise Combined School  
Lord Grey School  
Loudwater Combined School  
Loughton School  
Middleton Primary  
Milton Keynes Academy  
Milton Keynes College  
Milton Keynes Development Partnership  
NET Academies Trust  
New Bradwell Combined School  
New Chapter Primary School  
Oakgrove School  
Olney Infant School  
Olney Middle Academy  
Orchard Academy  
Ousedale School  
Overstone Combined School  
Oxley Park Academy  
PCC for Thames Valley  
Portfields Combined School  
Princes Risborough Primary School  
Princes Risborough School  
Rickleby Park Primary School  
Royal Grammar School  
Royal Latin School  
St Nicolas' CE Combined School Taplow  
St Paul's RC School  
Seer Green CofE School  
Shenley Brook End School  
Shepherdswell School  
Sir Henry Floyd Grammar School  
Sir Herbert Leon Academy  
Sir Thomas Fremantle Academy  
Sir William Borlase's Grammar School  
Sir William Ramsay School  
Southwood Middle School  
Stanton School  
Stantonbury Campus  
Stephenson Academy  
The Beaconsfield School  
The Premier Academy  
The Radcliffe School  
Two Mile Ash School  
Waddesdon C E School  
Walton High  
Water Hall Primary School  
Wycombe High School  
Wyvern School

Election Fees:  
Aylesbury Vale Local  
Aylesbury Vale Parliamentary  
Chiltern Local  
Chiltern Parliamentary  
Milton Keynes Local  
Milton Keynes Parliamentary  
Wycombe Local  
Wycombe Parliamentary  
South Bucks Local  
South Bucks Parliamentary



**Admitted Bodies**

Acorn Childcare  
Action for Children  
Action for Children (Children's Centres)  
Adventure Learning Foundation (BCC)  
Adventure Learning Foundation (WDC)  
Alliance in Partnership  
Ambassadors Theatre Group  
Archgate Cleaning  
Ashridge Security Management  
Aspens Services  
Beacon Housing Association  
Birkin Cleaning (John Colet)  
Birkin Cleaning (Oakgrove School)  
Bucks County Museum Trust  
Bucks Learning Trust  
C-SALT (Woughton Leisure Centre)  
Capita (WDC)  
Chiltern Rangers CIC  
Cleantec Services Limited  
Connection FS (BCC)  
Connexions Buckinghamshire  
Cucina Restaurants Ltd  
Enterprise Support Services UK  
Excelcare  
Frosts (MKC)  
Hayward Services  
Heritage Care  
Hertsmere Leisure Trust  
Hightown Housing Association Ltd  
Innovate Ltd  
Kids Play Ltd  
Mears Group plc  
MK Dons  
Mouchel Business Services Ltd  
NSL Services Group  
Oxfordshire Health NHS Foundation Trust  
Oxon PCT (SALT)  
Paradigm Housing Association  
Places for People Leisure  
Police Superintendents Association  
Red Kite Community Housing Ltd  
Ringway Infrastructure Services  
Ringway Jacobs  
SCS Wothorpe Ltd  
Serco (MKC)  
Serco MKC Recreation & Maintenance  
Servest Group Limited  
Sports Leisure Management  
Spurgeons  
Stantonbury Arts & Leisure  
The Fremantle Trust  
Vale of Aylesbury Housing Trust  
Wolverton & Watling Way Pools Trust  
Wycombe Heritage and Arts Trust



# Regulatory and Audit Committee

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**Title:** Draft Annual Governance Statement 2016/17

**Date:** Wednesday 26 July 2017

**Author:** Richard Ambrose, Director of Finance & Assets (S151 Officer)

**Contact officer:** Maggie Gibb, 01296 387327

**Local members affected:**

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

## Summary

This report contains the Draft Annual Governance Statement for 2016/17. The Annual Governance Statement (AGS) has been drafted by giving due consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance.

The role of the Regulatory and Audit Committee is to review the AGS to provide assurance that it reflects the evidence considered by the Committee over the year, and that the actions identified are appropriate. Once the Committee has approved the statement it will be presented to the Chief Executive and Leader of the Council for signing, and be published on the Buckinghamshire County Council website.

## Recommendation

The Committee is **RECOMMENDED** to approve the Annual Governance Statement 2016/17.

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

### Resource implications

None

### Legal implications

There are no new legal implications. The Accounts and Audit Regulations 2015 refer to the requirements for an Annual Governance Statement.

**Other implications/issues**

None

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

Not relevant

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**Background Papers**

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Buckinghamshire County Council

# **Draft Annual Governance Statement 2016/17**



**Regulatory and Audit Committee**

**July 2017**

## 1. Scope of responsibility

- 1.1 Buckinghamshire County Council (BCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. BCC also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, BCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions.
- 1.3 Good corporate governance means that:
  - The purpose and vision of the Council is clear to everyone;
  - The Council has clear values, focusing on customers and the way we work;
  - There is robust engagement and consultation with local people and stakeholders;
  - Councillors and officers have clear functions, roles and responsibilities and training;
  - Standards of conduct and behaviour are high, and meet the values of the Council;
  - Decisions are taken in an informed, transparent and accountable way, focusing on outcomes for the community;
  - Decisions are the subject of review and scrutiny;
  - Risks are considered and managed to a reasonable level; and that
  - There are strong and effective system of internal control.
- 1.4 The Council has approved and adopted a Constitution, and an internal Operating Framework and Procedure Report, which sets out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Buckinghamshire County Council Constitution is on the BCC website, [www.buckscc.gov.uk](http://www.buckscc.gov.uk).

This statement describes how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations (England) 2015, Regulation 6(1) (b).

## 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Buckinghamshire County Council for the year ended March 2017 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

- 3.1 BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

#### **Policy, Planning and Decision Making**

- 3.2 The Strategic Plan was refreshed and agreed by County Council on 16 February 2017. This covers the period 2017-2021. Following a number of changes in the political membership as a result of the local elections in May 2017, it has been agreed that the Plan will be presented to Full Council again in July 2017, and will be published on the website once it has been endorsed.

- 3.3 The current (published) Strategic Plan 2015-2017 is focused on delivery of three themes:

- Safeguarding our Vulnerable
- Creating Opportunities and Building Self Resilience
- Keeping Buckinghamshire Thriving and Attractive

The refreshed Strategic Plan includes a fourth theme:

- Underpinning Commitment to Deliver Value for Money

<http://www.buckscc.gov.uk/about-your-council/our-plans/>

- 3.4 The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are four Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives. The Strategy and Policy team facilitates delivery of the Strategic Plan working closely with Business Units and Partners to spread best practice, track performance and create links with budget and risk data whilst also strengthening performance against local targets.
- 3.5 Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. In addition to the Council and Cabinet, there are six standing committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Assurance, to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision have been identified. Cross-organisation joint committees are established where it is appropriate.

- 3.6 The Council has a statutory Regulatory and Audit Committee which oversees the regulatory and governance functions of the Council such as reviewing the work of the Business Assurance Team (including Internal Audit and Risk Management) and External Audit. This Committee are the custodians of the Council's Constitution and provide independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters. This Committee also provides overview to the financial reporting process. The Committee meets at least quarterly and seeks to strengthen the assurance framework of the Council and also receives quarterly progress reports on internal control and risk management. There is a Risk Management Group which operates under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprises of members of the Committee, the Chief Internal Auditor, S151 Officer and Monitoring Officer. This Group is responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reports to the Regulatory and Audit Committee.
- 3.7 The Council operates a Code of Conduct. The Regulatory and Audit Committee has the responsibility for ensuring that the Council continues to uphold high standards of behaviour and oversee standards policy and strategy development and member training, while hearings relating to standards complaints will be heard by members of the Appeal and Complaints Committee, that will be formed as required from the group of members on the Regulatory and Audit Committee.
- 3.8 The Council operates a scrutiny function through four Select Committees: Children's Social Care and Learning Select Committee; Transport, Environment and Communities Select Committee; Finance, Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee.
- 3.9 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by Strategy and Policy. Stakeholder views are considered as part of standard reporting that underpins decision-making.
- 3.10 The Council works with partners to develop broader policies and plans for Buckinghamshire as a whole. The objectives and outcomes in these strategies will inform, and be informed by, the Strategic Plan. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. Core partnership policies are listed in the Council's Constitution.

### **Monitoring of Performance and Compliance**

- 3.11 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Local Management in Schools Handbook and service procedure documentation.
- 3.12 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.



- 3.13 The Council has established an Operating Framework which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The operating framework co-ordinates the various strands of governance across the organisation. A system of assurance has been developed to monitor the compliance with the Operating Framework across the organisation, and the effectiveness of the governance arrangements; risk management; and, the system of internal control. The Business Assurance Team is responsible for monitoring the assurance framework, and for the routine reporting to the Corporate Management Team (CMT) and the Regulatory and Audit Committee.
- 3.14 There is a "Professional Lead" identified for the key control systems that underpin good governance within the Council. Their role is to provide a corporate oversight of the quality and effectiveness of the key systems. They form part of the Assurance Framework, and have provided an assurance opinion on the key control systems to support this AGS. The overall assurance opinion from the Professional Lead is as follows:

Key Control System	2016/17 Opinion	2015/16 Opinion	Direction of Travel
Asset Management	Limited	Limited	↔
Business Continuity Planning	Limited	Limited	↔
Commissioning/Contract Management	Limited	Reasonable	↓
Communications	Reasonable	Reasonable	↔
Decision Making	Reasonable	Reasonable	↔
Financial Management	Reasonable	Reasonable	↔
Health and Safety	Reasonable	Under Review	
Human Resources	Reasonable	Reasonable	↔
ICT	Reasonable	Reasonable	↔
Project Management	Reasonable	Limited	↑
Risk Management	Reasonable	Reasonable	↔

- 3.15 In addition to the key control systems, assurance maps of the main services in all Business Units have been prepared. In 2017/18 the Executive Directors will routinely report on the level of assurance of their main services as part of the standard governance reporting cycle.

- 3.16 A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the Corporate Management Team Budget Board. This also includes the key financial risks identified by the Finance Directors within each of the Business Units. Progress with Business Unit Plans is monitored by the Business Unit Management Boards, comprising of the Executive Directors, their Service Managers, the Finance Director and Cabinet Members. The Strategy and Policy team within the Assistant Chief Executive's Service provides the corporate oversight of the progress with the Business Unit Plans and their alignment with the aims set out in the Strategic Plan. Members play a regular role in performance management, providing challenge to officers. The Select Committees monitor performance through the regular review of performance information and make recommendations for the improvement of services. All staff, with guidance from their line managers, set objectives in line with the Business Plans and performance is reviewed twice a year as part of the Delivering Successful Performance program. All employees also receive a series of one to ones throughout the year to ensure performance is consistent.
- 3.17 The CMT have executive responsibilities for overview in ensuring that services are delivered in accordance with Council policy and procedures.
- 3.18 BCC works with a range of public, private and third sector partners, as well as with neighbourhoods, local communities and citizens, to achieve our objectives for Buckinghamshire. A risk-based approach is taken in respect of the assurance requirements over the Council's partnership arrangements, with each Business Unit adopting a localized approach. A number of the Council's key partnerships where pooled budgets are in place, are included in the Statement of Accounts and subject to review during the audit of the Financial Statements. Key partnership arrangements are considered for the Internal Audit plan and in 16/17 an audit of the Local Enterprise Partnership's governance arrangement was undertaken, resulting in a reasonable level of assurance opinion.
- 3.19 The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the CMT. The Risk Management Group considers significant service, contract and project risks to the authority, and reviews the consistency with which the risk management process is being applied across the Council. The Group also has the responsibility for annually reviewing the adequacy of the existing Assurance and Risk Management Strategy. The Chief Executive, via the Director for Finance and Assets and the Chief Auditor, is responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.
- 3.20 The Business Assurance Team includes the Internal Audit Service, and provides assurance to the Council and the Director of Finance and Assets (S151 Officer) as to the adequacy of the Council's financial and operational systems. The Chief Auditor attends all Regulatory and Audit Committees, reporting quarterly on the outcomes from internal audit reviews. Where material weaknesses are identified by Internal Audit, the CMT provides a formal response to the Regulatory and Audit Committee detailing the action being taken. The Chief Auditor monitors the progress in implementing agreed management actions and reports on this quarterly to the CMT Budget Board and the Regulatory and Audit Committee. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, during 2016/17 there were two areas of non-conformance with those standards:-

- The Chief Auditor had operational management responsibility for the Risk Management function, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter in November 2017.

3.21 The Internal Audit Annual Report was presented to the Regulatory and Audit Committee on 26 July 2017. The Chief Auditor concluded providing reasonable assurance on the system of internal control has to be qualified for 2016/17. The system of governance has been strengthened following some changes in the senior management team, with “collaboration” and “accountable” values demonstrated by the Business Units across the council. The legacy weaknesses identified in the 15/16 AGS have been progressed, particularly in the system of financial control. This is evidenced through the Chief Auditor’s Annual Report.

3.22 There were seven "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system’s objectives will be met:

- Buckinghamshire Care Governance and Financial Management
- Buckinghamshire Care Contract Management
- CHASC Financial Processes
- CSC&L Financial Processes
- Direct Payments
- Payroll
- Schools S151 Assurance

Actions plans are in place to address the issues raised by the audits.

3.23 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the “Role of the Head of Internal Audit in public service organisations”. This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council’s arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Auditor objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Chief Auditor is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee;
- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

## Financial Management of the Council

3.24 The Council has a statutory responsibility under the Accounts and Audit Regulations 2015 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council's functions. The Director of Finance and Assets has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.25 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. The Director of Finance and Assets undertakes the role of the Chief Finance Officer, conforming with the governance requirements of the CIPFA statement as outlined below:

- The Director of Finance and Assets is a member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
- The Director of Finance and Assets is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.
- The Director of Finance and Assets leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Director of Finance and assets leads and directs a finance function that is adequately resourced to be fit for purpose.
- The Director of Finance and Assets is professionally qualified and suitably experienced.

3.26 The Council currently has a four year medium term financial strategy, under which it plans its finances. This is considered by the Cabinet and CMT and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by the Finance, Performance and Resources Select Committee. Budgets are monitored throughout the year.

- 3.27 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Executive Directors are required to maintain systems and processes within their Business Unit ensure they keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There is a Finance Director within each Business Unit with responsibility for ensuring that financial management and financial control is operating effectively.
- 3.28 Under the management structures within each Business Unit, accountable to the Executive Directors, Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Executive Director and by the Director of Finance and Assets (S151 Officer).
- 3.29 Finance staff collate financial information, provide financial advice to the managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations are kept under regular review to ensure that guidance is up to date and relevant.
- 3.30 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.
- 3.31 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are considered by the Regulatory and Audit Committee, and reported for approval by full Council.

#### **Economic, Effective and Efficient Use of Resources and Continuous Improvement**

- 3.32 Service Managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. Finance Directors in each Business Unit provide monitoring and scrutiny of the financial management processes. The Procurement Team work with all Business Units to ensure purchasing decisions maximise the economic, effective and efficient use of resources.

#### **4. Review of effectiveness**

- 4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process, using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.
- 4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Finance and Assets (S151 Officer), the Monitoring Officer, Professional Leads and the Business Assurance Team. We have also used the assurances provided by the Business Units Executive Directors through the Assurance Framework activity.

**The Council:**

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

**The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

**The Regulatory and Audit Committee:**

- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

**Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

**Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

**Management Teams:**

- CMT receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management (Business Assurance Team):**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Executive Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Professional Leads**

- Responsible for ensuring policies and procedures are maintained and complied with across the Council, providing an evidence based assurance opinion; and

**External Audit and Inspectorates:**

- The Director of Finance and Assets meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;

- The External Auditor's reports are considered by the Regulatory and Audit Committee.
- The External Auditor, Director of Finance and Assets, and the Chief Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.

## 5. Significant governance issues

5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following are the key matters arising from the review of 16/17, including the outcome of the actions set out in last year's AGS. The 2016/17 AGS Action Plan is set out in appendix 1:

### **Contract Management Framework**

- 5.2 Compliance with the use of the Contract Management Application (CMA) software, and routine management reporting established to provide assurance over the performance and effectiveness of contract management arrangements for all major contracts.
- 5.3 The CMT agreed resources for the development of the CMA, and the contract management framework, which has been an on-going process during 2016/17. Progress reports have been routinely provided to the Regulatory and Audit Committee, the latest in February 2017. The Commissioning and Supplier Management Group have developed an improvement programme to address a number of weaknesses embedded across the organisation relating to commissioning and contract management.

### **Business Continuity Plans**

- 5.4 In their year-end statement of assurance, the Professional Lead for Business Continuity has concluded only limited assurance over completeness of business continuity plans; and highlighted a further weakness in the system of assurance over business continuity where there are dependencies in the supply chain (also identified as a weakness by the internal audit of business continuity in 2015/16). Business Continuity is retained as a key action in this 2016/17 Annual Governance Statement.

### **Embedding the Operating Framework and system of assurance**

- 5.5 The Regulatory and Audit Committee approved the Assurance and Risk Management Strategy, which was been implemented in 2015/16. Delivery of the strategy remains on-going but good progress has been made; with assurance mapping of key services in all Business Units completed. This will remain an action for 2016/17, to ensure the assurance framework is embedded and an integrated part of the governance reporting process
- 5.6 The Operating Framework does not reflect current structures and a number of the processes are out of date. A full review of its effectiveness and an update of the document will be concluded over the summer.

### **Partnership Arrangements**

- 5.7 The Council needs to develop a Partnership Framework to provide a mechanism for the organisation to have confidence in the robustness of the arrangements that support its partnerships. Local governance arrangements are in place across each of the Business Units, but there is a need for a consistent and rigorous approach.

5.8 The 2015/16 annual governance statement identified five key actions to improve the governance framework, the outcome of the action plan is as follows:

Action	Owner	Status
<p><b>Business Continuity</b></p> <p>Business Continuity Plans to be maintained with reasonable assurance over completeness and application, including through the supply chain.</p>	<p><b>Resilience Manager</b></p>	<p><b>In progress</b></p> <p>To be included in 2016/17 AGS action plan.</p>
<p><b>Financial Management</b></p> <p>Actions identified by the Professional Lead to improve the management controls, and actions arising from the 2015/16 Internal Audits to be implemented and tested to ensure confidence in their application and effectiveness.</p>	<p><b>Director of Finance and Assets</b></p>	<p><b>Implemented</b></p> <p>A specific resource has been identified to drive the finance improvement programme.</p> <p>Audit opinions have improved in some of the key financial areas.</p>
<p><b>Embedding the Operating Framework</b></p> <p>Implementing the Assurance Framework with routine reporting to the OCB and the Regulatory and Audit Committee.</p>	<p><b>Director of Finance and Assets</b></p>	<p><b>In progress</b></p> <p>To be included in 2016/17 AGS action plan.</p> <p>Progress has been made towards implementing the Operating Framework; however following a number of restructures the document is due for a fundamental review.</p>
<p><b>Data Quality for the management of cyclical maintenance and inspection of plant and equipment.</b></p> <p>Actions identified by the Professional Lead to be implemented and tested to ensure confidence in their application and effectiveness.</p>	<p><b>Head of Strategic Assets</b></p>	<p><b>Partly Implemented</b></p> <p>To be included in 2016/17 AGS action plan.</p> <p>A thorough review of processes was undertaken as part of the contract re-tender exercise, and lessons learnt considered to improve the controls over the data quality. The improved controls need to be embedded to be fully implemented.</p>
<p><b>Management oversight of the governance of project and programme management.</b></p> <p>Develop the professional lead role to provide the management oversight of programmes and projects; and, develop the support and guidance to management and staff responsible for the delivery of projects.</p>	<p><b>Programme Management Officer</b></p>	<p><b>Implemented</b></p>



5.9 In 2016/17 Internal Audit issued seven audit reports with a conclusion of 'Limited' assurance over the system of internal control. Management actions have been agreed, and positive assurance received from the Managers that actions are being taken, either through the Audit Action Tracking system, or directly through managers reporting progress to the Regulatory and Audit Committee. Follow up audits will be undertaken in 2017/18 to provide assurance to the Committee that the actions are complete and the improved controls are operating effectively.

5.10 Three Professional Leads have provided an opinion of "limited assurance" within their key control system, so actions have been included in Appendix 1:

**Asset Management**

5.11 There is a positive direction of travel with this area in that the contracts have been re-let and a more robust process put in place for management of the contractor. However, at the time of the AGS, only limited assurance can be provided as the new contract is not embedded and as such it is too early to provide reasonable assurance in this area.

**Business Continuity**

5.12 This is an area highlighted for improvement in 2015/16, as stated in section 5 above. The Professional Lead's opinion confirms that assurance in this area remains limited.

**Procurement and Contract Management**

5.13 There have been a number of significant control weaknesses identified relating to the Council's contract management framework, and is an area of high priority for the Section 151 Officer going forward into 2017/18.

**6. Declaration**

6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed .....

Chief Executive

26 July 2017

Signed .....

Leader of the Council

## Appendix 1 – 2017/18 AGS ACTION PLAN

Governance Issue	Action to be taken	Responsible Officer	Timescale for completion
Business Continuity Plans	Business Continuity Plans to be maintained with reasonable assurance over completeness and application, including through the supply chain.	Resilience Manager	March 2018
Embedding the Operating Framework and system of assurance	Review the effectiveness of Operating Framework and update to reflect current structures.	Director of Finance and Assets/Chief Auditor	Sept 2017
	Routine reporting to the CMT and the Regulatory and Audit Committee on the three lines of assurance		March 2018
Data Quality for the management of cyclical maintenance and inspection of plant and equipment.	Actions identified by the Professional Lead to be implemented and tested to ensure confidence in their application and effectiveness following embedding of new contract arrangements.	Head of Strategic Assets	March 2018
Contract Management	Develop and implement improvement programme to deliver the lessons learnt from recent contract failures and alternative delivery vehicle governance issues.	Commercial Director	March 2018
Partnership Working	Develop and implement a Partnership Framework to ensure that the Council has clear processes and procedures in place to respond to the complexity of partnerships, enabling services to be delivered more efficiently, effectively and with propriety.	Assistant Chief Executive	October 2017

# Regulatory and Audit Committee

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**Title:** Annual Report of Chief Auditor

**Date:** Wednesday 26 July 2017

**Author:** Maggie Gibb, Head of Business Assurance (& Chief Auditor)

**Contact officer:** Maggie Gibb, 01296 387327

**Local members affected:**

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

## Summary

This report sets out the Chief Auditors opinion on the Council's system of internal control, based on the internal audits undertaken, and other available assurance mechanisms.

The Chief Auditors conclusion on whether the Council's overall system of internal control facilitates the effective exercise of the Council's functions and provides a reasonable assurance regarding the effective, efficient and economic exercise of the Council's functions has been to be unqualified for 2016/17. This is a positive direction of travel following the qualified opinion in 2015/16.

The report summarises the conclusions from all the internal audits completed, including the nine audits that have concluded only "limited" assurance.

## Recommendation

The Committee is **RECOMMENDED** to note the report.

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

### Resource implications

None

### Legal implications



None

**Other implications/issues**

None

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

Not relevant

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**Background Papers**

16/17 Business Assurance Strategy

16/17 Business Assurance Strategy Updates

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Buckinghamshire County Council

# **Annual Report of the Chief Internal Auditor 2016/17**



**Regulatory and Audit Committee**

**June 2017**

## **1. Introduction**

- 1.1 This report outlines the Internal Audit work undertaken by the Business Assurance Team for the year ending 31 March 2017, and seeks to provide an opinion on the adequacy of the control environment detailing the incidence of any significant control failings or weaknesses. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.
- 1.2 The Account and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAs) require the Head of Internal Audit to provide an annual opinion, based upon, and limited to the work performed, and on the overall adequacy and effectiveness of the organisation's systems of internal control which consist of a framework of governance, risk management and control.

## **2. Responsibilities**

- 2.1 The PSIAs define internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 2.2 Internal Audit is not responsible for the control system. This responsibility sits with management who are to develop, maintain and ensure compliance against the internal control framework.

## **3. Basis of Audit Opinion**

- 3.1 With effect from 1 April 2013, new Public Sector Internal Audit Standards were introduced as mandatory guidance that constitutes the principles of the fundamental requirements for the professional practice of internal auditing within the public sector. These standards replaced CIPFA's Code of Practice for Internal Audit in Local Government.

3.2 Our Internal Audit Service operated in accordance with these standards; however during 2016/17 there were areas of non-conformance with those standards:

- The Chief Auditor had operational management responsibility for the Risk Management function, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, and reports directly to the Director of Finance and Assets (S151 Officer) or Assistant Chief Executive.
- A Quality Assurance and Improvement Programme is currently being drafted and will be presented to the Regulatory and Audit Committee in Q3 following the completion of the PSIA's compliance assessment being performed by a neighbouring authority. In the interim the Business Assurance Team is currently reviewing its processes to ensure continuous improvement to the effectiveness of the Internal Audit function, and the outcomes of these reviews will feed into the department's business improvement plan.

3.3 The overall opinion is based on the following:

- The results of all audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- Whether or not management actions have been agreed for all material areas of weakness identified.
- The effects of any material changes in the Authority's objectives or activities or risk profile.
- Whether any limitations have been placed on the scope of audit.
- The scope of internal control environment - which comprises the whole network of systems and controls established to manage BCC to ensure that its objectives are met.
- Consideration of third party assurances.

3.4 The Chief Internal Auditor opinion does not imply that Internal Audit has reviewed all risks relating to the organisation. The most that the Internal Audit Service can provide to the Accountable Officers and Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

#### 4. Chief Internal Auditor Opinion

In my conclusion based on the evidence from the internal audits undertaken, and the assurance work facilitated by the Business Assurance Team my opinion on whether the Council's overall system of internal control facilitates the effective exercise of the Council's functions and provides a **reasonable assurance** regarding the effective, efficient and economic exercise of the Council's functions is unqualified for 2016/17.

The Chief Internal Auditor opinion for 2015/16 was qualified, so there has been a positive direction of travel and clear improvements to the internal control environment during 206/17. However, a number of significant weaknesses have been identified which require clear action to address, in particular the robustness of the Council's Contract Management arrangements is in doubt following the failure of the Buckinghamshire Care Contract. A review of all Alternative Delivery Vehicles was commissioned following this failure, and recommendations are being presented to Cabinet in July.

There is no doubt that the Senior Officers in the organisation take governance and internal control very seriously, the Corporate Management Team reviews all limited assurance audits and monitors the progress of implementation of actions. The development of an assurance framework, with clearly defined three lines of assurance, has been further embedded and provides evidence of management oversight and monitoring which is essential in maintaining good governance.

	No/ Qualified	Limited	Reasonable	Substantial
<b>Audit Opinion and Direction of Travel</b>  <i>*2015/16 Annual Opinion: Qualified</i>				






## 5. Commentary on the Opinion

5.1 Key areas which have informed the overall reasonable conclusion are as follows:

5.2 **Internal Audit:** Based on the work completed by Internal Audit; the systems and processes for governance, risk management and control in relation to business critical areas appear to be in place. Examples of good practices were noted through audit work performed this year; however there are some areas of weakness and non-compliance in the framework of governance, risk management and control which could potentially impact the achievement of the Council's objectives.

In the year ending 31 March 2017, 37 internal audit reviews were undertaken. The table below provides a summary comparison of the 2016/17 report ratings with those of 2015/16.








Overall Conclusion	2016/17		2015/16		Direction of Travel
	No.	%	No	%	
Substantial	2	6%	1	5%	
Reasonable	24	72%	8	45%	
Limited	7	22%	9	50%	
<b>Total</b>	<b>33</b>	<b>100%</b>	<b>18</b>	<b>100%</b>	
<b>N/A Management Letter</b>	<b>4</b>	<b>N/A</b>	<b>4</b>	<b>N/A</b>	

*\* Appendix 1 summaries all the audits performed during the year forming the basis of the opinion on the internal control environment.*

5.3 In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented in a timely manner. The action tracking system is now embedded as a business management tool, maintained by the Business Assurance Team, reviewed periodically by Business Unit Boards and the Corporate Management Team. The implementation of management actions is tracked by Internal Audit and reported to the Regulatory and Audit Committee. Appendix 2 is a summary of audit actions that are currently in progress.

5.4 **Key Financial Systems:** A review of the Councils financial systems is undertaken to ensure that financial controls are robust and adequately support an effective control environment. Our review of seven financial systems identified areas that require improvement, specifically in the operation of key controls in place.

5.5 Below is a summary table of results of the Key Financial Systems reviewed:

Audit Title	2016/17 Opinion	2015/16 Opinion	Direction of Travel
Payroll	Limited	Limited	
Accounts Payable	Reasonable	Limited	
Pensions	Reasonable	Reasonable	
General Ledger	Reasonable	Limited	
Accounts Receivable	Reasonable	Reasonable	
Capital Programme	Reasonable	N/A	
Purchase Cards	Reasonable	N/A	

5.6 **Risk Management:** Reporting and monitoring of risk management is fully embedded into the business management process. A new risk management system has been introduced and the implementation of the system required a comprehensive review and refresh of service and corporate risk registers. The refresh and implementation of the new system led by the Business Assurance Team has been an important exercise that has allowed the organisation to better focus on current risks, develop a consistent systematic escalation mechanism which will ensure that key risks are visible to senior management to enable more effective decision making. The adequacy and effectiveness of the risk management system is overseen by the Regulatory and Audit Committee through the Risk Management Group and the Corporate Management Team review the strategic risks regularly.

5.7 **Governance:** The 2016/17 Internal Audit Plan has not focussed on a specific corporate governance audit, however the Business Assurance Team, headed by the Chief Auditor has continued to embed the combined assurance model which is an integral part of the Assurance and Risk Strategy, with Internal Audit operating as the third line of assurance. As part of the Operating Framework implementation, “Professional Leads” have been identified for each key corporate control process to provide the second line of assurance. Assurance Mapping for TEE and BSP was undertaken as part of the 2015/16 activity and this year we completed the mapping exercise within CHASC and CSC&L (including the new Joint Commissioning unit). The Business Assurance Team has also facilitated a self-assessment by Business Units of compliance with the Operating Framework. Whilst a reasonable level of compliance has been demonstrated, there are some areas for improvement that have been highlighted.

5.8 **Contract Management:** Contract management is a key control process and ensuring value through commissioned services is fundamental to the achievement of the Council’s strategic objectives. The Contract Management Application (CMA) has undergone enhancements to the functionality and improvements to the data that is held in the application, these improvements are supported by a refreshed Supplier Management Policy, which brings the supplier relationship and contract management activities together.

Internal Audit has completed contract audit reviews of Transport for Bucks, Public Health, Public Services Network (PSN) and Buckinghamshire Care. We identified some significant areas of weakness which are being addressed, including the Council’s mechanisms for obtaining assurance over performance information presented by the contractor, financial and risk management. A review of the Corporate Escalation Processes has also been carried out.

5.9 **Schools:** Five school audits were carried out this year, including a review of the schools S151 Officer Assurance Framework. Whilst the work carried out at the schools has not raised any significant issues, the Schools S151 Assurance Framework highlighted key areas of weakness where the systems of internal control are weak and risks are not being managed effectively. Progress is being made to address these weaknesses and Internal Audit will continue to review a sample of schools identified through the risk based annual audit planning process.

5.10 **Information Technology:** There have been three IT audit reviews during the year; IT Asset Management, IT Governance and PSN Contract Management and Performance. The work performed has not highlighted any significant issues; however additional audit activity is planned in this area which will focus on network and data security.

5.11 **Counter Fraud:** The Business Assurance Team procedures alone cannot guarantee the detection of fraud and corruption, therefore management have responsibility for ensuring that there are adequate controls in place to manage the risk of fraud and corruption. A number of referrals were received during the year of suspected financial irregularity or fraud, and based on the nature of the case we monitored the outcomes or investigated the irregularity. Any control issues identified from the investigation were highlighted to management and action plans agreed to address any weaknesses.

6. **Overall Conclusion**

Overall the direction of travel in respect of governance has been positive. The Council, through the leadership of the Corporate Management Team actively promotes good governance, and has established a robust process for monitoring the implementation of actions. There have been a number of significant control failures during the year, but the Corporate Management Team have reacted very quickly to put actions in place to mitigate the risks.

**Maggie Gibb**, Chief Internal Audit

June 2017

## Appendix 1: Summary of Audits Performed Informing the Annual Opinion

Business Unit	Audit Title	Timing	Scope/ Objective of Audit	Assurance Opinion	
ALL	Corporate Escalation Processes	Q4	This audit has been added to the plan to provide assurance over the escalation processes within each of the Business Units and HQ to ensure that emerging issues/risks are visible at an appropriate level. This audit was requested by the S151 and Monitoring Officers.	Reasonable	
HQ	Decision Making/ Business Cases (Project Management)	Q3	The audit will review the policies and procedures in place to ensure the effective management of projects. This will include a review of the tools that are available, how these are being utilised and the management information that is available to ensure effective and timely decision making.	Delayed to Q1 17/18	
HQ	Capital Programme	Q2	The objective of the audit is to ensure that the capital programme effectively links capital expenditure and investments needs and supports the delivery of the Authority's objectives/ priorities.	Reasonable	
HQ	Income Generation	Q3	The objective of the audit is to ensure that the Income Generation Strategy has been embedded across the organisation. This will include an understanding of how the Council is maximising its potential to generate income, how income generation opportunities are identified and initiated.	Delayed to Q2 17/18	
HQ	Complaints Process	Q3	The audit will review the policies and procedures in place to manage complaints. This will include a review of how complaints are recorded, addressed and reported.	Delayed to Q1 17/18	
125	BSP	P2P - including contract review of e-invoicing service provider and process mapping	Q2	End-to-end review of the P2P system to understand processes in place and adequacy of controls	Reasonable
	BSP	General Ledger	Q4	The main objective of the audit is to ensure that quality and integrity of financial data recorded on the General Ledger is accurate and complete to be used to prepare the annual accounts.	Reasonable
	BSP	Payroll	Q4	The main objective of the Payroll process is to pay the right person the right amount at the right time, and to produce all the required statutory returns.	Limited
	BSP	Pensions	Q4	The main objective of the Pension function is to ensure that the correct employer and employee contributions are received; retirees are paid the right amount at the right time, and the Pension Fund is management effectively and in line with legislative requirements.	Reasonable
	BSP	Accounts Receivable/ Accounts Payables	Q4	The Accounts Receivable Audit is concerned with billing, income collection and debt management. The primary objective of the AP function is to provide timely, accurate and efficient disbursement services to the organisation	Reasonable
	BSP	P-Cards - System Audit	Q1	To ensure the continued success of the Purchasing Card ("P-Card") Program; to determine if the established policies and procedures are adequate; and to ensure the amounts paid were valid, appropriately reviewed, and properly supported.	Reasonable
	BSP	P-Cards & Expenses Continuous Auditing	Q1 - 4	This will entail a review of expense reports and p-card usage for adherence to the Corporate policy	Reasonable

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
BSP	Financial Management Audit	Q1	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Reasonable
BSP	PSN Audit (Network security and infrastructure resilience)	Q2	Review project implementation of PSN across the business including a review of expected benefits.	Reasonable
BSP	Shop 4 Support (E-Commerce System), including contract review	Q2/3	Review the new e-commerce system, including understanding the data quality and integrity, PCI compliance, interface feeds to SAP and management reporting.	Reasonable
BSP	PSN Audit (Contract and Performance Management)	Q2	Review contract and performance management, project implementation of PSN across the business and schools; including a review of realised benefits against expected benefits per the initial business	Reasonable
BSP	IT Asset Management	Q2/3	Review of policies and procedures in place to track and monitor IT assets including; hardware, servers, circuits, and software license compliance.	Reasonable
CH & ASC	Public Health Contracts & Commissioning/Payment to Providers	Q2	The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable effective and efficient decision making	Reasonable
CH & ASC	CHASC - Financial Processes	Q1-2	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit's objectives.	Limited
CH & ASC	Client Charging	Q3	The audit will review the arrangements in place for client charging, including policies and procedures, financial assessments, quality of data and governance arrangements.	Reasonable
CH & ASC	Direct Payments*	Q1-2	The audit will cover the arrangements currently in place for the management of direct payments including: Direct Payments Use, Nominated Person, Direct Payments Assessments and Arrangements, Client Contributions and Top Ups. The audit will also follow up on the management actions noted in the previous Direct Payments audit.	Limited
CH & ASC	Better Care Fund	Q4	The audit will review the high level governance arrangements in place to support the management of the Better Care Fund and relationship with the CCGs.	Delayed to 17/18
CH & ASC	Safeguarding*	Q1-2	The audit will evaluate the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance.	Substantial
CH & ASC	Market Resilience	Q4	This is a cross cutting theme included by Neil Gibson for both Adults and Children's. The purpose of the audit is to focus is on the business continuity, providing assurance that services can continue to be delivered where viability or performance concerns are raised.	Delayed to 17/18
CH & ASC	Buckinghamshire Care Governance and Financial Management	Q2	This audit was an addition to the approved 16/17 Internal Audit Plan following a request from the Managing Director of CH&ASC. The audit focussed on the controls in place over governance and financial management arrangements at Buckinghamshire Care which is one of the Council's alternative delivery vehicles.	Limited

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
CH & ASC	Buckinghamshire Care - Contract Management	Q3	This audit was an addition to the approved 16/17 Internal Audit Plan following a request from the Chief Executive to review the robustness of the contract management arrangements for Buckinghamshire Care	Limited
CSC&L	Safeguarding	Q2	The audit will evaluate the controls in place over, the Safeguarding Quality Assurance Framework, performance reporting, accuracy of client based information and Governance. This will take into account the OFSTED Report and the outcome of the last Internal Audit Report.	Follow Up Audit Complete
CSC&L	Schools	Q2-Q4	<p>A sample of schools to be audited based on: limited assurance reports, gaps in financial controls, academy status and/ or other intelligence received from the business.</p> <ol style="list-style-type: none"> <li>1. Bedgrove Infant – <b>Substantial</b></li> <li>2. Buckingham Park Primary - <b>Reasonable</b></li> <li>3. Princes Risborough Primary – <b>Reasonable</b></li> <li>4. St Joseph’s Catholic - <b>Reasonable</b></li> <li>5. Wingrave CoE - <b>Reasonable</b></li> </ol>	Complete
127 CSC&L	DSG*	Q1-2	This audit will review the assurance on how it is managed, including: allocation, monitoring and how the funds are spent.	Reasonable
CSC&L	Financial Management	Q2	The audit will review the financial management arrangements in place within the newly set up business units to ensure that systems and processes are in place which are compliant with agreed Council policies and support the delivery of the business unit’s objectives.	Limited
CSC&L	Families First - Grant Funding	Q3	This is a review of how the grant is spent and compliances against the terms and conditions.	Reasonable
CSC&L	Transfer Testing	Q4	The audit of eleven-plus (11-plus) was requested by the S151 Officer and Monitoring Officer during 2016/17 due to a high volume of FOI requests and complaints received during an 18 month period. The audit will examine the governance processes, including roles and responsibilities, and payments to schools.	Reasonable
CSC&L	Schools S151 Assurance	Q3	The audit will review the arrangements in place to meet the schools S151 responsibilities including an established framework, defined roles and responsibilities, policies, procedures and guidance, risk and performance management, accountability and communication and effective monitoring and review.	Limited

Business Unit	Audit Title	Timing	Scope of Audit	Progress as at 30 January 2017
TEE	Client Transport	Q3	The objective of the audit is to ascertain service management arrangements in place, including governance (decision making framework), budget monitoring, safeguarding, dispute resolution and reviewing the accuracy, completeness and timeliness of management information (financial and performance) to enable effective and efficient decision making.	Delayed to 17/18
TEE	TfB Contract (Quality of Information/ Open Book Accounting)	Q2	The objective of the audit is to ascertain service contract management arrangements in place, including financial management, reviewing the quality, integrity and timeliness of financial and performance information to enable effective and efficient decision making.	Reasonable
TEE	Waste	Q4	The objective of the audit is to ascertain service contract management arrangements in place, including reviewing the accuracy, completeness and timeliness of management information to enable accurate, effective and efficient payments and management decisions to be made. The review will also consider agreements and relationships in place with other organisations and third parties.	Delayed to 17/18
TEE	Planning and Development Management	Q4	The main objective of the audit is to review the decision making process, roles and responsibilities and interaction with local parishes.	Delayed to 17/18
TEE	LEP Governance Audit	Q3	This audit was included in the plan following a request from the Managing Director of TEE to review the governance arrangements between BCC and the LEP	Reasonable



## Appendix 2: Summary of Open Management Actions

The table below provides a summary of the audit reports that currently have on-going management audit actions that require implementation:

Since our last report to the Regulatory and Audit Committee in February 2017 there has been significant progress in the completion of outstanding actions from previous year's audits however there are still actions not yet completed for audits completed prior to 16/17. The audit team recently undertook a comprehensive review of all actions with full support from the audit leads within each of the Business Units. This has resulted in 19 of the 36 audits recorded in the action tracker in February 2017 being fully closed off following completion of all actions raised within the reports.

The current status of audits recorded within the action tracker as at 16 May 2017 is as follows:

- 24 audits currently recorded in the action tracker, comprising of:
  - 16 completed prior to 16/17
  - 8 completed as part of the 16/17 agreed audit plan, 7 of which have been added since our last update report following completion of 16/17 work.
- Of the 24 audits recorded there are a total of 232, (116 High/116 Medium) actions raised of which 81 are not yet completed. 46 of these actions relate to audit work completed between 2012/13 – 2015/16 which have been allocated revised target dates.
- 129 • Based on the current target completion dates recorded in the action tracker, none of the 81 actions are yet due for completion and are made up of the following:
  - 37 High Priority actions
  - 43 Medium Priority actions
- In addition it should also be noted that there are currently 7 low priority actions not yet completed.

**Table 1** below is a summary of all the audit actions across the 24 audit reports:

Year	BSP - Financial	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>28 Actions in Progress</b>									
2014/15	Pensions 2014/15	Reasonable	1	1		4	1	2	9
2015/16	Accounts Payable 2015/16	Reasonable	2	2	1				5
2015/16	Accounts Receivable 2015/16	Reasonable	5	2		3			10
2015/16	Payroll 2015/16	Reasonable	1	5		1	4		11
2015/16	Pensions 2015/16	Reasonable	1	2			2		5
2016/17	Capital Programme 2016/17	Reasonable				1	1		2
2016/17	General Ledger 2016/17	Reasonable	2	3		4	4		13
2016/17	Purchase Cards 2016/17	Reasonable				3	1		4
			<b>12</b>	<b>15</b>	<b>1</b>	<b>16</b>	<b>13</b>	<b>2</b>	<b>59</b>

Year	BSP Non-Financial	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>2 Actions in Progress</b>									
2012/13	Data Security Follow Up 2012/13	N/A		1				1	2
2014/15	Property Contract Process and Procedure 2014/15	Limited	3			11	1		15
			3	1		11	1	1	17

Year	CH&ASC	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>2 Actions in Progress</b>									
2014/15	Governance and Financial Management (AFW) 2014/15	Reasonable	2	1		1			4
2016/17	ASC Direct Payments 2016/17	Limited				4	1		5
			2	1	0	5	1	0	9

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Year	CSC&L	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>9 Actions in Progress</b>									
2012/13	Schools Accounts Payable 2012/13	Reasonable	1	1		2	2		6
2015/16	SEN 2015/16	Limited	7	2		2			11
2016/17	Schools S151 Assurance 2016/17	Limited	2	4		6			12
			10	7	0	10	2	-	29

Year	HQ	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>2 Actions in Progress</b>									
2013/14	Review of Charges 2013/14	Reasonable					1		1
2014/15	Governance and Financial Management (PPC) 2014/15	Reasonable	2	1		3			6
			2	1	0	3	1	0	7

Year	TEE	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>1 Action in Progress</b>									
2015/16	TfB Street Lantern Replacement Scheme 2015/16	Limited	13	1		5			19
			13	1	0	5	0	-	19

Year	Schools	Assurance Opinion	High			Medium			Total
			Completed	In Progress	No longer applicable	Completed	In Progress	No longer applicable	
<b>36 Actions in Progress</b>									
2013/14	Mandeville School 2013/14	Limited	11	2		6	1		20
2014/15	Meadows School 2014/15	Limited	1	1		3			5
2015/16	Hannah Ball School 2015/16	Limited	24	5		5	7		41
2016/17	Bedgrove Infant School 2016/17	Reasonable					4		4
2016/17	St Joseph's Catholic Infant School 2016/17	Reasonable				8	4		12
2016/17	Wingrave Church of England Combined School 2016/17	Reasonable	1	3		1	9		14
			37	11	-	23	25	-	96



# Regulatory and Audit Committee

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**Title:** 17/18 Business Assurance Strategy (incl. Internal Audit Plan)  
**Date:** Wednesday 26 July 2017  
**Author:** Maggie Gibb, Head of Business Assurance (& Chief Auditor)  
**Contact officer:** Maggie Gibb, 01296 387327

**Local members affected:**

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

## Summary

This paper details the Business Assurance Strategy, including Internal Audit and Risk Management Plans, the resources available and how we will be delivering our service in 2017/18.

The Business Assurance Team delivers the Council's Risk Management, Assurance and Internal Audit services. The team operates under the Director of Finance and Assets within the Resources Business Unit.

## Recommendation

The committee are **RECOMMENDED** to **APPROVE** the report.

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

### Resource implications

Contained within 17/18 budget

### Legal implications

None

### Other implications/issues



None

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

Not relevant

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**Background Papers**

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Buckinghamshire County Council

# **Business Assurance Strategy**

## **INTERNAL AUDIT AND RISK MANAGEMENT PLAN 2017/18**



**Regulatory and Audit Committee**

**July 2017**

## **1. Introduction**

- 1.1 This paper details the Business Assurance Strategy, including Internal Audit and Risk Management Plans, the resources available and how we will be delivering our service in 2017/18.
- 1.2 The Business Assurance Team delivers the Council's Risk Management, Assurance and Internal Audit services. The team operates under the Director of Finance and Assets within the Resources Business Unit.
- 1.3 The outline Internal Audit and Risk Management work plan for 2017/18 is attached as appendix 2. The work plan will remain flexible and evolve during the year as the assurance framework matures and to meet the needs of unplanned demands.

## **2. Internal Audit Strategy**

- 2.1 The Accounts and Audit Regulations 2015 (S5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; these are defined as the Public Sector Internal Auditing Standards 2017.
- 2.2 The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 2.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion, we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
- 2.4 Under its Operating Framework, the Council has adopted a combined assurance model, with Internal Audit operating as the third line of assurance. The first line of assurance is achieved by the management controls and systems, and the second line of assurance from the Professional Leads monitoring the key governance frameworks.
- 2.5 The combined assurance model is an integral part of the Council's Assurance and Risk Strategy. The model will continue to become embedded into the governance reporting process during 2017/18, which will include to the Corporate Management Team and the Regulatory and Audit Committee.
- 2.6 During 2016/17, the Head of Business Assurance, supported by Mazars, has been mapping the first line assurances for the key business activities across all Business Units. This is an evolving process and has taken more capacity to embed than first planned, and as such the work continues into 2017/18.
- 2.7 A priority in the first quarter is to complete the audit activity which has been "carried forward" from the 2016/17 Internal Audit Plan due to a number of unplanned investigations and urgent audit activity placing constraints on the Business Assurance Team. The number of days of Internal Audit activity carried forward from 2016/17 is approximately 40 days.



- 2.8 To provide an opinion on the System of Internal Control, the Chief Internal Auditor will use the work undertaken by the Business Assurance Team:
- The Senior Business Assurance Officers focus on the system of risk management, and the performance risks within the key services, including the major contracts and projects. It is also the responsibility of this team to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of assurance) and the professional lead statements, (second line of assurance).
  - The Internal Audit team reviews the key control processes across the organisation, including those supporting critical service areas. The activity focusses on governance, and internal control, including financial management and fraud risk. As the third line of assurance, it is the role of Internal Audit to consider the adequacy and effectiveness of the first two lines of assurance.
- 2.9 The Business Assurance Team will continue to support the Professional Leads and Executive Directors in developing their assurance frameworks, by providing advice and guidance.
- 2.10 The Chief Internal Auditor will be undertaking a review of the Counter-fraud arrangements in 2017/18, to consider whether the current methodology and resourcing is adequate and effective, and will be developing a programme of proactive fraud activity to raise awareness across the Council.

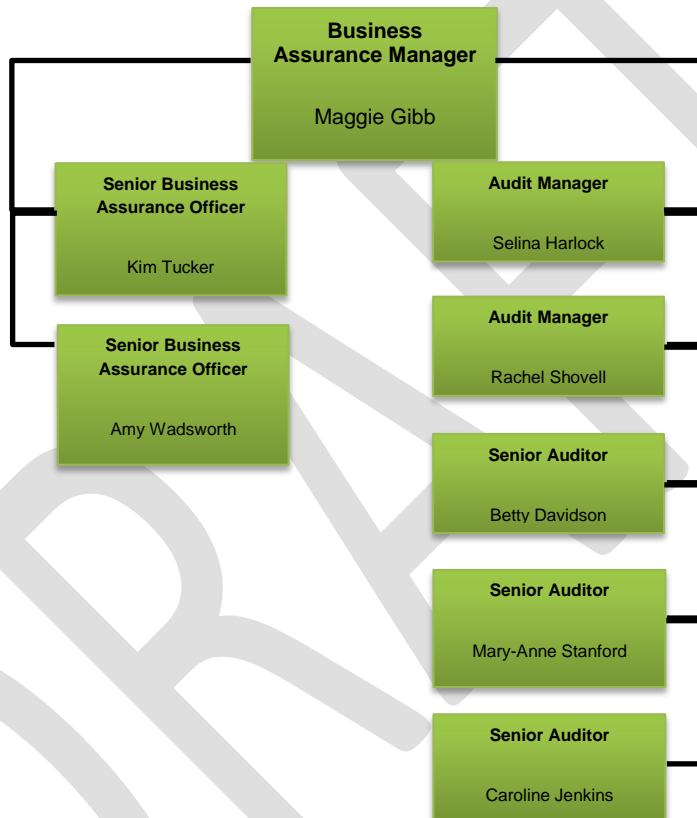
### **3 Audit Planning Methodology**

- 3.1 The Internal Audit and Risk Management Plans will be produced with reference to the Strategic and Business Unit Risk Registers. The plan is also informed through discussion with the Senior Leadership Teams for each Business Unit, Finance Directors, Director of Finance and Assets and the Assistant Chief Executive. Quarterly meetings with the Executive Directors and the Statutory Officers Group are scheduled to ensure the plan is kept under continuous review.
- 3.2 The plan will also be reviewed quarterly in conjunction with the combined assurance reports and strategic risk register, and presented to the Audit Board and Regulatory and Audit Committee for consideration and comment.
- 3.3 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.
- 3.4 Counter-fraud remains a key responsibility for the Business Assurance Team to lead on, and in 2017/18 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity, as well as a programme of proactive activity. The audit planning will include a review of the fraud risks with the Finance Directors.
- 3.5 Improving the robustness of contract management across the Council is a priority, and is being driven by the Commissioning and Supplier Management Group. The audit activity in relation to contracts will support this programme of improvement and focus on a sample of major contracts and the overall management control in particular the refresh of the Contract Management Application as a key assurance tool, and the key financial processes including procurement of goods and services and payments to providers.

#### 4. Resources

4.1 The Business Assurance Team is currently resourced with a mix of in-house staff and a partnership arrangement with the London Audit Framework. The framework is hosted by the London Borough of Croydon and the audit service is currently provided by Mazars. This arrangement allows for a flexible approach, and enables us to respond swiftly to urgent requests for resource such as for investigations. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-house team do not have the appropriate technical skills.

Current Business Assurance Structure:



4.3 The number of days available for the Business Assurance activity can be broken down as follows:

<b>Resource</b>	<b>Available days</b>
Head of Business Assurance (& Chief Auditor)	200
Internal Audit Managers	320
Senior Auditors	520
Senior Business Assurance Officers	340
Specialist/Outsourced	130
Contingency	100
<b>Total</b>	<b>1610</b>

Overall the total days spent on Business Assurance activity is 1610 days, of which 100 days is delivering an Internal Audit service to Buckinghamshire and Milton Keynes Fire Authority. Approximately 900 days relate to the third line of assurance activity from Internal Audit.

4.4 A number of contingency days have been set aside for unplanned events / issues that inevitably arise.

## **5 Performance Monitoring / Reporting**

5.1 The proposed Business Assurance performance indicators for 2017/18 are attached as appendix 1 to this report, and will form part of the Resources Business Plan monitoring.

5.2 The Regulatory and Audit Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

## Appendix 1 – Business Assurance Team Key Performance Indicators

No.	Key Performance Indicator (KPI)	2017/18 Target
1	Draft internal audit reports issued within 15 working days of exit meeting (monthly)	90%
2	Final internal audit reports issued within 10 working days of management responses (monthly)	100%
3	Internal audits completed to the satisfaction of the client (quarterly)	95%
4	Audit actions in the draft internal audit report that are accepted by the client (monthly)	90%
5	Delivery of Internal Audit Plan (annual measure)	95%
6	Delivery of Risk Management plan (annual measure)	95%
7	Corporate Reporting Timelines being met (CMT/RMG/R&A) (monthly)	95%

KPI 1 Is monitored from the date of exit meeting.

KPI 2 is monitored from the date of which the last management response(s) is/are received.

KPI 3 Is a Quality assessment of work done by internal audit.

KPI 4 Quality assessment which confirms the relevance and appropriateness of the work done by internal audit through the recommendations made.

KPI 4 Combined measure which requires collaboration to agree the importance of the work of internal audit and how it strengthens the whole control framework of the Council.

KPI 5 Is a performance control which confirms the annual audit plan is completed within year.

KPI 6 as per KPI 5 but for the risk management activity.

KPI 7 is monitored through the forward plans/reporting deadlines as set corporately.

**Appendix 2 - Planned Risk Management and Internal Audit Activity 2017/18**

Area	Activity
<b>GENERAL</b>	Business Improvement, including Covalent Implementation
	Updates to Action Tracker
	Reporting to Regulatory and Audit Committee
	Reporting to Corporate Management Team
	Reporting to Audit Board
	Reporting to Director of Finance and Assets
	Reporting to Business Unit SLT's 1/4ly
	Assurance Framework
	Compliance with Operating Framework
	Annual Governance Statement

## Approved Quarter 1 Audit Activity

The table below sets out the audit activity commenced during Quarter 1, as agreed by the Audit Board and Regulatory and Audit Committee.

Audit Activity 2017/18 Q1	Priority - High (H) Medium (M)
	Link to Strategic Risk
<b>ASSISTANT CHIEF EXECUTIVE SERVICES</b>	
Complaints Process	H CMT – 01 Governance Failure
Corporate Governance	H CMT – 01 Governance Failure
<b>RESOURCES</b>	
Medium Term Financial Plan/Business Cases	H CMT – 09 Failure to deliver financial plans
K2 Application	H CMT – 06 Technology breaches/failure
<b>TRANSPORT, ENVIRONMENT AND ECONOMY</b>	
Waste Management (Recycling Credits and Trade Waste)	M CMT – 13 Failure to keep Bucks Special
Client Transport (Inc. Follow up of Safeguarding Client Transport)	H CMT – 14 Infrastructure and services
<b>CHILDRENS SERVICES</b>	
Follow-up Commissioning Placements	H
Follow-up Hannah Ball School	H
Follow-up Mandeville School	H

**Draft Audit Plan 2017/18**

The table below sets out the planned activity to be included in the Annual Audit Plan 2017/18 subject to changes agreed by the Audit Board and Audit and Regulatory Committee.

Audit Activity 2017/18	Priority - High (H) Medium (M)
	Link to Strategic Risk
<b>CORPORATE/CROSS CUTTING THEMES</b>	
National Fraud Initiative	H <i>CMT – 11 Fraud and Corruption</i>
Pro-Active Anti-Fraud Activity (incl. Continuous Auditing)	H <i>CMT – 11 Fraud and Corruption</i>
Reactive Anti-Fraud Activity/Investigations	H <i>CMT – 11 Fraud and Corruption</i>
Grant Validation (over and above what is specified in the plan)	H
Contract Management Audits	H <i>CMT – 04 Major contract / commissioning &amp;/or market failure</i>
Debt Management	H <i>CMT – 09 Failure to deliver financial plans</i>
Scheme of Delegations	H <i>CMT – 01 Governance Failure</i>
<b>ACES</b>	
General Data Protection Regulation	H <i>CMT – 06 Technology breaches/failure</i>

<b>RESOURCES</b>	
Key Financial Systems	H
	<i>CMT – 01 Governance Failure</i>
Health and Safety	H
IT – Data Security	H
	<i>CMT – 06 Technology breaches/failure</i>
IT – BCP/Disaster Recovery	H
	<i>CMT – 06 Technology breaches/failure</i>
<b>TRANSPORT, ENVIRONMENT AND ECONOMY</b>	
LEP Grants	H
Bus Subsidy Grants	H
	<i>CMT – 14 Infrastructure and services</i>
Follow Up TFB Street Lanterns	H
Transport Modelling Processes	M
	<i>CMT – 14 Infrastructure and services</i>
<b>CHILDRENS SERVICES</b>	
Follow Up Schools S151 Assurances	H
Schools Audit Programme – Theme: Contracts and Procurement Arrangements	M
LADO	H
	<i>CMT – 02 Failure to improve services to children</i>



SEND Placements	<p style="text-align: center;">H</p> <p style="text-align: center;"><i>CMT – 02 Failure to improve services to children</i></p> <p style="text-align: center;"><i>CMT – 16 Unexpected inspections</i></p>
Families First Grant	<p style="text-align: center;">H</p>
<b>COMMUNITIES, HEALTH &amp; ADULT SOCIAL CARE</b>	
Digital Direct Payments Self Service and Supported Service (Inc. follow up of Direct Payments Limited 16/17 Audit Report)	<p style="text-align: center;">H</p> <p style="text-align: center;"><i>CMT – 03 Unintentional consequences on the vulnerable (adults)</i></p>
Avoiding Delayed Transfers of Care Pathways between Health and Social Care	<p style="text-align: center;">H</p> <p style="text-align: center;"><i>CMT – 03 Unintentional consequences on the vulnerable (adults)</i></p>
Business Continuity	<p style="text-align: center;">M</p> <p style="text-align: center;"><i>CMT – 03 Unintentional consequences on the vulnerable (adults)</i></p>
Prevention Agenda	<p style="text-align: center;">H</p>

**Rolling List of Audit Activity 2017/18 as at 05/07/2017**

We are now adopting a more fluid approach to the development of our Internal Audit activity which will be continuously reviewed and amended as required. The plan needs to remain flexible to react to emerging issues/risks and meet any urgent demands on the Internal Audit resource, such as investigations or ad-hoc assurance work. Internal audit activity will be subject to review by the Audit Board who has a responsibility to direct and oversee the activities and management of the Internal Audit function and to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities.

The table below sets out a rolling list (which can be added to) of proposed audit activity which can be drawn upon during 2017/18 to utilise any contingency resources as and when required. This proposed list along with the agreed Annual Plan 2017/18 will be continuously reviewed and subject to changes agreed by the Audit Board and Regulatory and Committee.

Proposed Contingency Audit Activity 2017/18	Priority - High (H) Medium (M)
	Link to Strategic Risk
<b>CORPORATE/CROSS CUTTING THEMES</b>	
Ethics and Conduct	H
	<i>CMT – 01 Governance Failure</i>
<b>ACES</b>	
(Items to be added as and when identified during the year)	
<b>RESOURCES</b>	
IT - SAP HR	M
	<i>CMT – 06 Technology breaches/failure</i>
IT - PMO	M
	<i>CMT – 06 Technology breaches/failure</i>
IT - Project Governance	H
	<i>CMT – 06 Technology breaches/failure</i>
IT - Change & Release Management	M
	<i>CMT – 01 Governance Failure</i>

<b>TRANSPORT, ENVIRONMENT AND ECONOMY</b>	
(Items to be added as and when identified during the year)	
<b>CHILDREN'S SERVICES</b>	
After Care	<b>H</b> <i>CMT – 02 Failure to improve services to children</i>
Educational Psychology	<b>H</b> <i>CMT – 02 Failure to improve services to children</i>
Fostering Services	<b>M</b> <i>CMT – 02 Failure to improve services to children</i>
SEND Processes	<b>H</b> <i>CMT – 02 Failure to improve services to children</i> <i>CMT – 16 Unexpected inspections</i>
<b>COMMUNITIES, HEALTH &amp; ADULT SOCIAL CARE</b>	
Continuing Health Care Pathway between Health and Social Care	<b>H</b> <i>CMT – 03 Unintentional consequences on the vulnerable (adults)</i>
Review of the re-design of Buckinghamshire Safeguarding Adults Board (BSAB)	<b>H</b> <i>CMT – 03 Unintentional consequences on the vulnerable (adults)</i>

**RISK MANAGEMENT ACTIVITY 2017/18**

<b>Area</b>	<b>Activity</b>
<b>CORPORATE / CROSS CUTTING</b>	Reporting to Risk Management Group/Corporate Management Team
	Development of Risk System and Reporting
	Corporate Management Team Strategic Risk Register
	Risk Monitoring
<b>RESOURCES</b>	Property
	Procurement
<b>COMMUNITIES, HEALTH &amp; ADULT SOCIAL CARE</b>	Transformation Programme
	Commissioning
<b>CHILDREN'S SERVICES</b>	Change for Children Programme
	SEND
<b>TRANSPORT, ENVIRONMENT AND ECONOMY</b>	To be confirmed

# Regulatory and Audit Committee

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<b>Title:</b>	Effectiveness of Debt Management Strategy
<b>Date:</b>	Wednesday 26 July 2017
<b>Author:</b>	Richard Ambrose, Director of Finance & Assets
<b>Contact officer:</b>	Matt Strevens, Corporate Finance Business Partner (ext. 3181)
<b>Local members affected:</b>	

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

## Summary

As reported to the Committee in February 2017, the profile of outstanding debt has been significantly raised throughout the organisation and a Task and Finish project focussing on outstanding debt was instigated at the request of the Corporate Management Team.

The improvements already presented to the Committee have become a part of this Task and Finish project, along with a number of other initiatives and activities identified to improve both the management and processes relating to sales invoicing and debt management.

Significant progress has been made by the Task and Finish group, both in further identifying issues within the process and developing and implementing solutions to the identified issues. The Task and Finish group is currently nearing the completion of its remit. There has been significant progress in addressing outstanding debt, and a proposal has recently been made to Corporate Management Team to bring consistency and focus to debt management through the creation of a central Debt Management Team.

## **Providing for Bad Debt**

With the stronger organisational focus on outstanding debt, there has been a significant change in the level of provision for bad debt. All Business Units have undertaken a thorough review of their outstanding debt and levels of provision are now based on the outcomes of this exercise.

The Debt Management Strategy proposes the following as the default position on providing for bad debt, and allows for alternative proposals to be made where the Business Unit can provide evidence to support an alternative provision level.

Age of Debt	Provision
Up to 6 months	No provision
6 months – 12 months	25% of outstanding debt
12 months – 18 months	50% of outstanding debt
Over 18 months	100% of outstanding debt

The table below presents a comparison between the provision for bad debt and the default position from the Debt Management Strategy at the closure of accounts in 2015/16 and 2016/17.

Business Unit	2016/17			2015/16		
	Provision per DMS	Actual provision	Provision as %age of DMS provision	Provision per DMS	Actual provision	Provision as %age of DMS provision
BSP	£ 26,019	£ 29,647	114%	£ 69,610	£ 42,178	61%
CHACS	£ 1,106,405	£ 998,020	90%	£ 1,167,412	£ 471,119	40%
CSCCL	£ 694,060	£ 93,902	14%	£ 1,075,310	£ 93,902	9%
HQ	£ 53,495	£ 12,846	24%	£ 76,292	£ 19,088	25%
TEE	£ 273,429	£ 126,578	46%	£ 237,099	£ 126,578	53%
<b>TOTAL</b>	<b>£ 2,153,408</b>	<b>£ 1,260,993</b>	<b>59%</b>	<b>£ 2,625,723</b>	<b>£ 752,865</b>	<b>29%</b>

As can be seen, the default provision figure has reduced between 2015/16 and 2016/17 (reflecting the work undertaken to address outstanding debt), and the level of provision made has increased. In percentage terms the provision made as a percentage of the default figure has more than doubled.

In CSCCL, TEE and HQ there were large outstanding debts for which the likelihood of collection was very high (as they relate to other public sector bodies), but which required a significant provision under the default position. This explains why the provision made as a percentage of the default position is lower in these Business Units.

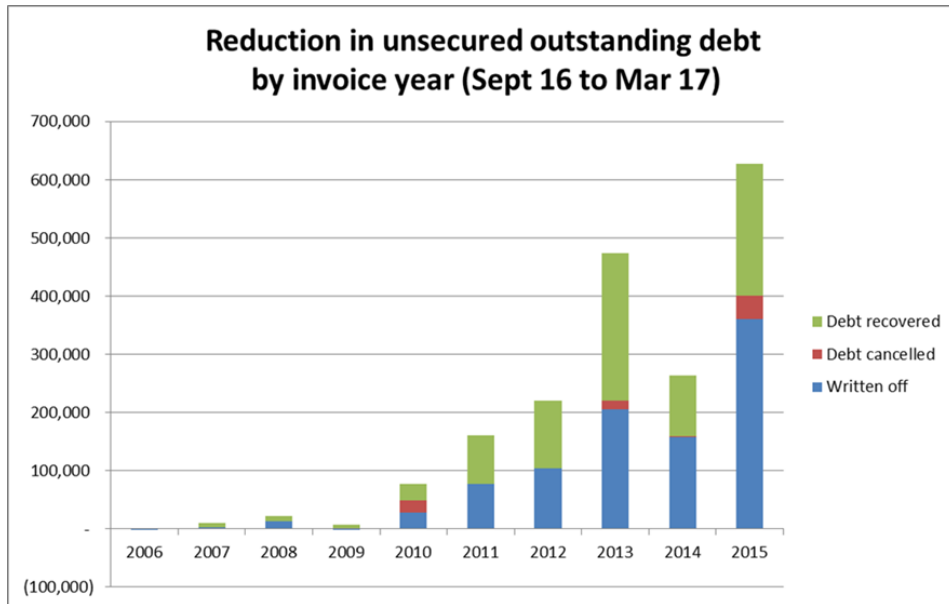
### **Outstanding Debt Task and Finish Group**

Progress against the key deliverables of the Task and Finish group is reported below;

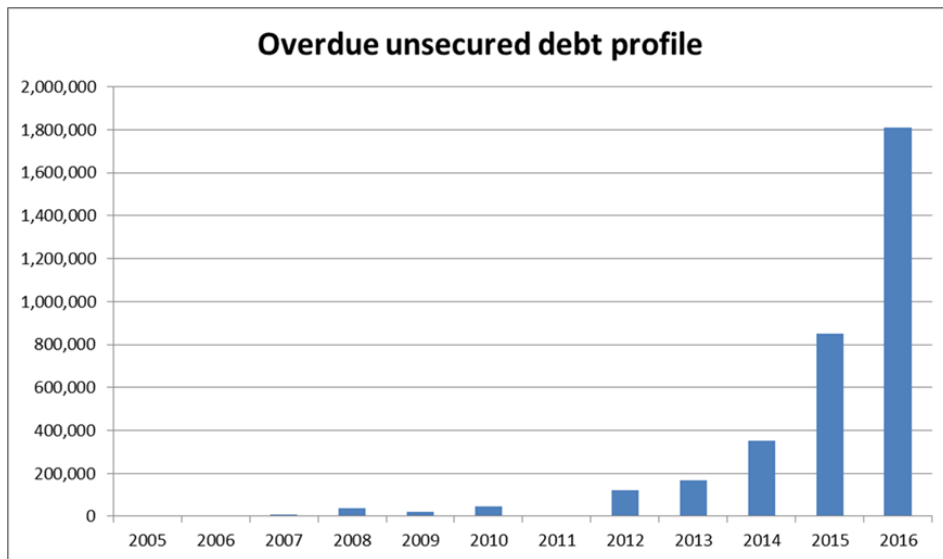
#### **To reduce the levels of outstanding debt to an appropriate level for each Business Unit**

A review of outstanding debt was undertaken to support the year end closure of accounts. As a result of this review £1.12m of uncollectable debt was written off, £76k of incorrectly billed debt was cancelled and £835k of debt relating to invoices raised prior to 2016 was collected. This has significantly reduced the 'tail' of outstanding debt, however there is still further work to be undertaken to address this matter. There is currently a recruitment process to bring additional resource into the organisation for a fixed-term 6 month period to bring this work to conclusion.

The table below shows the reduction in unsecured debt as a result of the actions above by the year to which the invoice relates;



The following table shows the level of unsecured debt remaining by the year to which the invoice relates;



Clearly a tail of debt remains, however the values have reduced significantly, and further work is planned to reduce this further.

**The organisation is confident that all outstanding debt is valid for collection**

The actions above have moved this matter forward significantly, and the temporary resource currently being recruited is intended to bring this matter to conclusion. In addition improvements in the process of raising invoices should reduce the number of invoices raised in error, or which are uncollectable due to the quality and content of the invoice.

**All Business Units clearly understand their roles and responsibilities within the process**

As we have consulted with budget holders and their financial support staff, and understood the processes they operate to deliver the Debt Management Strategy it has become apparent that there is a significant degree of variation into the understanding of their roles and responsibilities, and consequentially in the delivery of their responsibilities. Generally the chasing of overdue debt has a low priority for service managers, and often activity in the pursuit of debt does not begin until the Finance Operations Team take over conduct of the debt at 90 days overdue.

Clearly this delay in beginning to pursue debt is not best practice, and both reduces the likelihood of recovery of the debt and delays the identification of debt raised in error. This both increases the likely level of write-offs required and misstates the financial position since income is reported as soon as invoices are raised.

In response to these issues a proposal to create a central Debt Management team is being considered at Corporate Management Team on 20th July. If accepted, this will change the roles and responsibilities of those involved in the process, and will require an update to the current Debt Management Strategy. This update will be accompanied by extensive communication with those involved in the process.

In addition a newly developed Corporate Budget Holder training package contains the current roles and responsibilities, and this will be rolled out to all budget holders shortly. This will require an immediate update if the proposal for the central Debt Management team is accepted.

### **Business Units are suitably supported to deliver their roles and responsibilities**

Under the proposal to create a central Debt Management Team, this team would provide professional advice to the organisation on the management of debt, and would produce KPI's and other monitoring information to ensure that the Debt Management Strategy and the processes supporting it were operating efficiently and effectively. This performance information will also be made available to Business Unit Boards and Corporate Management Team to flag any specific issues which require action.

### **All new debts are created with the best possible chance of recovering them**

The Finance Operations Team, who currently take over conduct of debts when they are 90 days overdue have run a number of workshops which the user population who create sales invoices. These have been well attended, and have highlighted a lack of understanding and training of end users of the process. There are a number of causes behind this position, which are currently being addressed through improvements to the Intranet and user guides, further workshops with this community, and targeted communications.

### **The systems and processes supporting the process are fit for purpose and reflect best practice in line with all relevant policies, strategies and guidance**

As mentioned above, the Debt Management Strategy (and supporting policies and guidance) will require revision if the proposal to create a central Debt Management Team are accepted. The systems and processes, as currently defined, are fit for purpose, however there are improvements to be made in terms of user-friendliness, and there are likely to be a number of further changes required to meet the requirements of a future operating model.

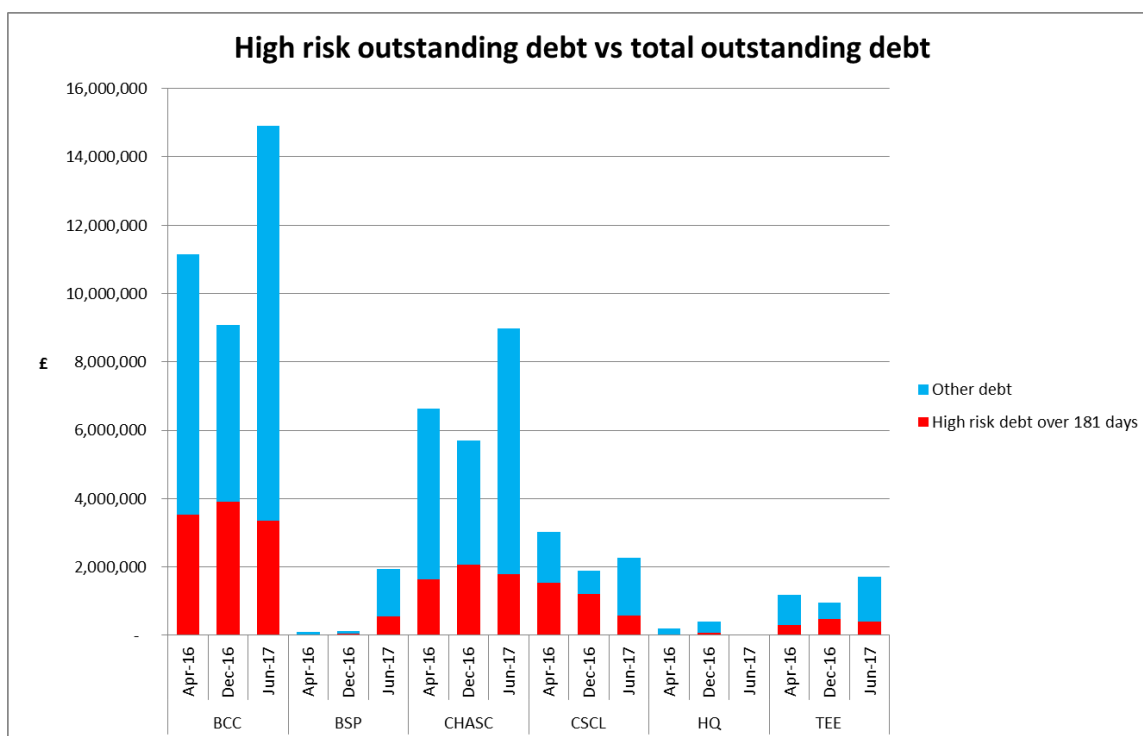
### **Management information is provided / available for Business Units to understand their outstanding debt and make appropriate decisions in relation to this debt**

Management reporting has already been enhanced, to focus on risk, rather than purely on agedness, and also to develop measures of appropriate levels of debt for each service area. We are currently implementing a new process to allow the recording of the stage of debt recovery for each outstanding debt. This will support a greater level of understanding within service areas of the likelihood of recovery, and highlight debts where there is a service decision as to how to proceed with the recovery process. In addition a central Debt Management team model will create additional expertise within the organisation, which is better able to advise and support the service areas and inform their decision-making processes.



## Current outstanding debt levels

The table below compares the levels of high-risk outstanding debt to the total outstanding debt (including secured debt) over the past 14 months.



Looking at both service areas and BCC in total the following is apparent;

- Total debt has increased against both April 16 and Dec 16 levels
- High risk debt has not increased in comparison to April 16 and has fallen compared to Dec 16
- All other business areas have seen a reduction in high risk debt and an increase in overall debt
- BSP debt has increased significantly

These changes are as a result of the following;

- The increase in total debt is reflective of a number of significant invoices raised at the start of the year which are only a small period overdue, and an increased level of invoicing due both to increased charging activity and timelier charging following engagement with those billing for service provision.
- High risk debt has fallen due to the review of debt and subsequent write-offs
- BSP debt has increased as additional functions have transferred into this area from other areas of the Council.

## Remaining actions for the Task & Finish Group

The following actions remain outstanding for the Debt Task and Finish Group;

- Review content and format of sales invoices (due for completion in August)
- Implementation of debt recovery status process & reporting (due for completion in August)
- Update to supporting information on the Intranet (due for completion in September)
- Communication of roles & responsibilities to service areas (due for completion in September)
- Implementation of Corporate Management Team decision on creation of central Debt Management team

- Implement reporting of average debtor repayment period (delayed due to lack of resource within Task & Finish group)

## **Recommendation**

**That regular updates to the Committee should continue until new processes have fully embedded, especially focussing on the development and future reporting of performance measures.**

**That the revisions to the Debt Management Strategy be brought back to the Committee in November for comment / review if the decision is made by the Corporate Management Team (due 20<sup>th</sup> July) to implement a central Debt Management Team.**

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

Appendix 1 – CHASC Finance Directors debt report

Appendix 2 – CSCL Finance Directors debt report

## **Resource implications**

The tail of debt dating back to invoices from 2015 is likely to result in the need to write-off further unrecoverable debt. Whilst we have increased provisions for bad debt, these may not be sufficient if significant values of debt require to be written-off.

It is currently believed that the implementation of a central Debt Management team will not require any additional resource beyond its initial implementation as there are opportunities to automate the initial process if managed centrally and this will reduce the current levels of resource required in Finance Operations to pursue debts overdue by more than 90 days.

The recruitment of a temporary resource to chase old outstanding debts will be an additional cost to the organisation. The Director of Finance & Assets has agreed to fund this post for a 6 month period.

## **Legal implications**

None

## **Other implications/issues**

None

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

None

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## **Background Papers**

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**Buckinghamshire County Council**

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## Regulatory and Audit Committee

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<b>Title:</b>	Debt processes and Progress of Recovery within the CHASC Business Unit
<b>Date:</b>	Wednesday 26 July 2017
<b>Author:</b>	Richard Ambrose
<b>Contact officer:</b>	Adrian Isaacs – 01296 382716 Mark Preston – 01296 383107

### Summary

As part of a previous audit report the Committee was made aware of the substantial monies owed to Adult Social Care.

This report provides further information on the processes followed & the current position regarding outstanding debt

### Recommendation

**This report is for Members information.**

#### **A. Sources of Income**

Adult Social Care has 2 very significant income sources:

- Financial contributions by service users with the means to contribute to the cost of care  
These monies are collected by Resources
- Financial contributions from partners for services provided by BCC e.g. health or other local authorities.

These monies are collected by CHASC



## **B. Debt Recovery Processes followed by Resources**

### **Non Residential Service User Contributions:**

Bills are raised by the County Council.

1. Where the Finance Operations Officers have identified that no payment has been made during the last 4 week period attempts will be made by telephone to contact the service user/financial agent to discuss non-payment.
2. If, after 7 days, no contact has been received and no payments are showing on SAP, the Finance Support Officer will commence the debt recovery process, advising the relevant Budget Holder (cost centre manager) that there is a debt. It will be for Budget Holder (cost centre manager) to advise if debt recovery is not to go ahead and the reasons why
3. Send first debt letter. The service user / financial agent is reminded to pay Buckinghamshire County Council. At 7 day intervals, should the debt remain unpaid the second debt letter will be issued.  
After a further 7 days, if the debt still remains unpaid the third debt letter will be issued
4. If the debt still remains unpaid after 7 days of issue, the Finance Support Officer is to refer the case to the Service Director and Finance Director for direction on whether case is to be referred for Litigation action via Legal or write off/waiver. It will be for the Service Director of A&FW to refer back to the Care Management for further investigation if it is appropriate.
5. Legal Services will respond directly to Debtor Team Manager within 30 days of receiving referred case with their recommendations for recovery action (**as per 4.4 Financial Instructions**)
6. Following Legal action, if still no response then case will be referred for a decision to the AFW Service Director for consideration of Court Proceedings to take place.
7. The process for writing off debt is:
  - For debts under £10,000 – Service Director AFW or Finance Director
  - For debts over £10,000 –Service Director of Assurance & Monitoring Officer

### **Residential & Nursing Service User Contributions:**

Care Home providers are expected to collect contributions.

1. Finance Operations Support Officer will receive notification in writing (letter or email) that a care home provider has been unable to collect service user contribution or third party payments.
2. If the service user is not managing their own finances, the Finance Support Officer will telephone the financial agent etc. to discuss the information given by the care home and determine why the contribution has not been paid. The Finance Support Officer must advise the financial agent that debt recovery action will be taken.
3. Finance Support Officer will immediately request by telephone, evidence that the care home provider has attempted three times to recover monies owed i.e. copies of correspondence.
4. Finance Support Officer will obtain a letter from the care home provider requesting that the Finance Operations Team deal with the matter on their behalf, confirming what is owed, the last time a payment was made, the period the last payment covered etc.
5. Finance Support Officer will also ask the care home provider if the service user's personal allowance has been paid (where the client does not deal with their own financial affairs) Finance Support Officer will alert the Care Manager of the debt and any potential issue with non-receipt of personal allowance.
6. If the care home provider has reported debt to the Finance Operations Team previously and evidenced their recovery attempts, the Finance Support Officer will liaise with the Debtor Team Manager as to whether there is a case for gross payment to the home and

invoices being raised to achieve payment from the client or their financial agent. The decision for gross payment will be recorded on the service user's file with details as to why this decision was reached. No gross payment will be made without sign off and authority from the Debtor Team Manager & CHASC Service Director. If the care home has not previously reported difficulties with collecting a service users contribution, no gross payment will be issued at this stage.

7. Once the Finance Support Officer is satisfied that the care home provider has taken all steps required to chase non-payment of client contribution, they will send an initial letter to the service user / their financial agent with copies issued to Care Management.
8. Finance Support Officer will maintain a record of their activity on the 'Debt spreadsheet', sap notes field and Profile Notes on the service user's records.
9. Finance Support Officer will create a diary date for 5 working days hence to ring the care home provider and ask if payment has been made (the debt repaid in full or part payment)
10. If the debt has been repaid the Finance Support Officer will update the all records (Spreadsheet, SAP).
11. If the debt has not been repaid, the Finance Support Officer will raise an account in SAP– the invoice will be produced and issued by the Finance Service Desk within 24 hours. Finance Support Officer will issue letter referring to the invoice and diarise a review in 10 working days. Finance Support Officer to contact the service user or financial agent to clarify that the invoice has been received and agree a payment plan/solution with the service user or the financial agent. Finance Support Officer to update Care Management via email on current activity and progress.
12. The Finance Support Officer will check SAP after 10 working days. If a payment has been made they will update the spreadsheet and liaise with the care home provider. If a payment has not been made, they will check with the care home provider to see if any further payments have been made and to confirm the total debt outstanding. .
13. If no payments have been made and no contact made to arrange a payment plan, the Finance Support Officer must seek direction from Care Management as to ongoing debt recovery action and annotate Swift.
14. Send first debt letter. The service user / financial agent is reminded to pay Buckinghamshire County Council. At 7 day intervals, should the debt remain unpaid the second debt letter will be issued. After a further 7 days if the debt still remains unpaid the third debt letter will be issued.
15. If the debt still remains unpaid refer case to the Service Director and Finance Director for direction on whether case is to be referred for Litigation action via Legal or write off/waiver. It will be for the AFW Service Director to refer back to the Care Management for further investigation if it is appropriate.
16. Where approval to pursue debts through Legal Services has been granted by AFW Service Director and Finance Director AFW, cases will be submitted in full to Legal Services included action taken to date by the Direct Services Admin.
17. Legal Services will respond directly to Debtor Team Manager within 30 days of receiving referred case with their recommendations for recovery action (as per 4.4 Financial Instructions)
18. The process for writing off debts is:
  - For debts under £10,000 – Service Director AFW or Finance Director
  - For debts over £10,000 –Service Director of Assurance & Monitoring Officer

### **C. Debt Recovery Processes followed by CHASC**

1. Invoice raised showing payment expected within 30 days
2. After 30 days , check to see if payment received
3. If payment not received, send reminder stating that if payment not received in 14 days

- debt will be passed to Legal for action
4. After 14 days , check to see if payment received
  5. If payment not received , ask relevant Service Manager if debt to be referred to Legal
  6. If debt to be referred to Legal send :
    - Copy of invoice raised
    - Documentation proving debt payable to BCC
  7. If debt not to be sent to Legal, Service Manager to advise what action to be taken
  8. For debts not referred to Legal , if debt remains unpaid 6 months from date of invoice, refer debt to Service Director

**Actions to be taken by Legal**

9. Letter before action to be sent within 21 days of referral from AFW
10. After 21 days check with AFW to see if debt paid , AFW to respond within 3 days
11. If not paid & debt less than £300, refer case back to AFW & take no further action
12. If not paid & debt £300 or more , seek instructions from AFW , AFW to respond within 3 days.
13. For these debts where court action is to be started, draft particulars of claim and complete court forms within 21 days
14. If no response from debtor after 28 days apply for default judgement
15. Once default judgement entered agree enforcement option with AFW  
( AFW to respond within 3 days , providing any intelligence on financial position of debtor )
16. If debtor submits defence prepare for county court hearing

**D. Debts Outstanding**

Monthly budget reports are prepared for CHASC and each report includes a table showing the outstanding debt & comparable figures for earlier months.

The most recent table shows the debt outstanding for more than 90 days:

	May 17	May 16
<i>Secured ( Resources</i>	£2,278k	£2,096k
Unsecured (Resources)	£1,748k	£1,613k
Unsecured (CHASC)	£495k	£256k
Total	£4,521k	£3,965k

The debt with Resources includes both debts secured on property, which are likely to be outstanding for some time & unsecured debts which represent a far greater challenge & risk to the Local Authority.

The value of the debt with CHASC tends to fluctuate significantly as large bills are raised for Health (NHS) and any delays with payment adversely affect the figures. Full payment is received in the vast majority of instances.

Communities & Public Health have low value debts & currently the amount of over 90 day debt is £31k

**E. Service Developments**

There has for some time been an on-going discussion between Resources & CHASC on the size of the unsecured debts.

CHASC has recognised the success of Resources in promoting payment by direct debit which currently sits at 63% ( against a target of 60% ) and compared to 53% 12 months ago.

Recently, the discussion has focused upon the enhancement of the debt recovery process which is currently based upon contact by telephone & letters. Resources has been asked to consider the implications of visiting residents with either large debts or where there are communication difficulties. Historically there has been an arrangement with an external debt recovery service and this will need to be considered as an option if the Local Authority is to collect monies owed to it.

The relationship with Harrow Council has prompted a review of the interface with Legal & meetings have been sought by both officers from Resources & CHASC. A meeting between senior officers of both Harrow and Buckinghamshire has been arranged for 26 July to review the legal debt process.

CHASC remains concerned about the timeliness of recovery action & the subsequent write-off of debts that have not been pursued for some time. During 16/17 £522k of old debts were written-off.

Debt write-offs represent a risk to the CHASC budget & as a mitigation a provision for bad debts has been established & the current value is £1.1m. The preferred option of the CHASC Senior Management team is that we pursue and recover the debt.

Resources has expressed concerns about “data quality“ issues & time wasted raising & chasing debts that should not have been raised in the first place e.g. because the service user’s circumstances dictate that no client contribution is required.

Resources have produced lists evidencing these difficulties & CHASC has sought to provide further support & training to care management staff and liaise with providers to ensure timely notification of services being closed.

In response to the most common problems encountered CHASC has developed the action plan shown below .

Area	Solution	Deadline?
Notification of Date of Death	New Date of Death process implemented in June – all staff members enter DOD and record Case Note with information source.	Procedure being implemented
	Phase 2 of Date of Death project working with CRT/DE teams and providers to ensure timely notification.	October 2017
12 week Disregard/ Third Party Top up	Training on a range of financial issues to be created and rolled out to Operations staff and to be included as part of staff induction. Finance staff to help feed into this.	March 2018
	Joint Supply are reviewing their processes, 12 week disregard and Top Up recording will need to be analysed.	October 2017

	Commission Business Intelligence report to pick up all 12 week disregard with due end date. Business and systems to cleanse and Finance to regularly check that open provisions for sold properties are closed.	Commence August 2017
Provision Amendments/ incorrect provision	Regular reconciliation of provisions to be undertaken <ul style="list-style-type: none"> <li>• Joint Supply to take on Dom Care reconciliation</li> <li>• Contracts to provide information regarding Meals and telecare.</li> <li>• Transport to provide transport list</li> <li>• To be supported by commissioned Business Intelligence reports</li> </ul>	Ongoing
	Provision input form already has additional fields to indicate that all CBS services to be closed, Joint supply to question if there are overlapping CBS/placement services.	Ongoing
	Redesign of respite business process model and policy required.	TBC
Client and family awareness	Training on a range of financial issues to be created and rolled out to Operations staff and to be included as part of staff induction. Finance staff to help feed into this.	March 2018
	Care Advice Bucks updated to reflect financial information	TBC
Workflow Authorisation	Outline to Authorisers the importance of authorising promptly or transferring to the right person	Commence July 2017
	Business and Systems to carry out weekly check on outstanding authorisations and to look at provisions not sent for authorisation.	Commence August 2017
	Technology Services cleanse and remove obsolete managers from cost codes.	Ongoing
Section 117/CHC	Carry out Phase 2 of the CHC process model to ensure that correct invoicing dates are captured and internal providers are kept informed.	November 2017
	Section 117 aligned budget project has commissioned a redesign of the process	Commence August 2017
	Make Finance partners aware of how S117 works and correct Data migration issues	TBC
Incorrect Cost Centres	Cost Centre information is regularly communicated out to Operations and Joint supply and is on the CHASC Dashboard.	Ongoing
	IT and Business & Systems team are cleansing all	November 2017



	Care Item descriptions	
	Joint Supply process redesign to pick up the issue	October 2017

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**Buckinghamshire County Council**

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# Regulatory and Audit Committee

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<b>Title:</b>	Debt processes and Progress of Recovery within the Children's Business Unit
<b>Date:</b>	Wednesday 26 July 2017
<b>Author:</b>	Gladys Rhodes-White
<b>Contact officer:</b>	John Huskinson– 01296 382384

## Summary

As part of a previous audit report the Committee was made aware of the substantial monies owed to Children's. This report provides further information on the processes followed & the current position regarding outstanding debt

## Recommendation

***That the Committee note the good progress in addressing historic debts, recovering much of the monies due and the work to improve processes in future.***

### A. Sources of Income

Children's has relatively limited income compared to budgets owing to the nature of the statutory services provided and the (young) ages of the service users affected.

The budget for income in Children's Social Care excluding grants and asylum funding is negligible. The main income for the Business Unit is analyses in the following tables:

<b>Income areas - Fees &amp; Charges</b>	<b>2017-18 budget</b>
Educational visits and Youth service income	-78,630
County attendance team	-78,443
Education Psychology	-484,607
Managed properties	-277,532
Home to School Transport	-3,380,000

Adult Lrng (Ext Funded)	-1,198,792
Student Support –access fund for post 16	-50,703
Health contribution to staffing	-14,000
<b>Grand Total</b>	<b>-5,562,707</b>

Adult learning has little debt as much of the income is received in advance of services provided.

Client transport is the greatest income area, received through charges for home to school transport. The payments are upfront or by phased direct debits, which means that payment is always ahead of delivery of services. The client transport team identify any cancelled direct debits and can suspend services provided unless further payment is received.

Education psychology is currently not trading very much owing to difficulties in finding Educational Psychology staff to undertake the statutory work.

Managed property income has had some debt from tenants not paying which has been actively managed.

County attendance team receive income from parents who take their children out of term without permission.

Relatively speaking, the debt on fees and charges is low.

The issues with historic debts have been related mainly to:

- contributions from other authorities (including health) for care and educational services for individual children
- s106 agreement funding delays from developers relating to contributions to education capital funding
- providers who have over charged for services and the Council is seeking funding back
- Providers who pay for services from Buckinghamshire who have had difficulty in either agreeing or paying these invoices

## **B. Debt Recovery Processes**

The Children's business unit follow the standard corporate approach for raising invoices for monies due to the Council and chasing debts.

This has recently been changed and the central finance teams will have a bigger role in chasing debt on behalf of Business Units going forward.

Over the last year the Children's Business Unit has been reviewing and chasing significant debt through use of a dedicated management accountant reporting to the Finance Director. This has resulted in significant debt being recovered by year end (and more recovered by quarter 1 in 2017.18 financial year).

There has also been a write off of debt that was not recoverable, but not until every effort had been made. In nearly all of these cases the income should not have been raised in the first place.

In other cases the significant delay in payment was due to inadequate information and evidence attached to invoices raised in the first place, compounded by changes in personnel at either party and / or a failure to proactively chase at the time.

### C. Debt Recovery Processes

The latest debt reports show a much improved position on debt against Children's Business units as a result of the work during 2016/17. The process changes going forward and the lessons from this review will also help debt that is unpaid and unsecured in future be much lower.

The target for Children's business unit is to have no debt over 90 days that is unsecured.

The latest (end of June 2017) position shows debt as follows.

LA01_1	Risk Rating	Sum of 0-30 days	Sum of 31-90 days	Sum of 91-180 days	Sum of 181+ days
1-CS Children's Social Care & Learning	Low	971,069.92	607,182.07	0.00	56,696.67
	Medium	0.00	0.00	54,411.89	0.00
	High	0.00	0.00	0.00	583,788.90
<b>1-CS Children's Social Care &amp; Learning Total</b>		<b>971,069.92</b>	<b>607,182.07</b>	<b>54,411.89</b>	<b>640,485.57</b>
<b>Grand Total</b>		<b>971,069.92</b>	<b>607,182.07</b>	<b>54,411.89</b>	<b>640,485.57</b>

The high risk items over 90- days and over £10,000 have all been individually reviewed and an explanation of the reason for the debt is shared with the Business Unit Board as part of monthly monitoring reports.

The high risk debts over £10k and over 90 days are as follows:

Name	Over 1 Yr	explanation
THE AYLESBURY VALE ACADEMY	£ 10,261	Provided for after further chasing.
OXFORD BROOKES UNIVERSITY	£ 12,000	Provided for after further chasing.
NHS Chiltern CCG	£ 14,891	Being chased along with other Chiltern CCG debts
Harrow Council	£ 18,750	Payment agreed
NHS Buckinghamshire (PCT)	£ 25,000	Now CCG. New health body not accepting liability of older body.
MACINTYRE	£ 264,096	Discussions with provider continuing.



# Regulatory and Audit Committee

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<b>Title:</b>	Mandatory Training Compliance Update
<b>Date:</b>	Wednesday 26 July 2017
<b>Author:</b>	Frances Mills
<b>Contact officer:</b>	Caroline High ext 2799

## Summary

The **purpose** of this report is to update on the performance of each of the Business Units at the end of April 2017 compared to the percentage course completions reported to the committee in September 2016.

## Recommendation

**Members are asked to note the overall improved compliance levels for existing staff with access to e-Learning; and the steps to address priority groups of staff who do not currently have access to e-Learning or a Bucks CC computer.**

## Background

In April 2016 OCB approved a refresher e-Learning programme to be assigned to all staff for completion by the end of June 2016 (extended to end August 16). This was intended to address the gaps amongst existing staff not having completed the required e-Learning; and to enable the organisation to evidence a satisfactory level of compliance in those areas identified by OCB.

Previously, reporting on mandatory training had focused on separate elements e.g. annual reporting on 'Data Protection' compliance. The move to the new e-Learning platform provided an opportunity to collate information in one place on the performance of staff in completing the corporate mandatory modules. We now provide regular update reports to HR BPs and Service Directors to enable them to monitor compliance in their area.

## New Starters Induction

The corporate induction programme packages together the four mandatory e-Learning modules that all staff are required to complete within the first 4 weeks of joining Bucks CC. With effect from December 2016 the programme is automatically assigned to all new starters set up with a SAP record, with a 4-week completion deadline from their start date.

*'Data Protection Awareness'; 'Equality & Diversity Essentials'; 'Introduction to Health and Safety'; and 'Agile Working'.*

## Compliance levels by Business Unit at end April 17 compared to Sept 16

Percentages of staff completing each of the mandatory corporate induction e-Learning modules, by business unit:

Business Unit	Data Protection Awareness		Introduction to Health & Safety		Equality & Diversity		Agile working	
	2016	2017	2016	2017	2016	2017	2016	2017
BE&BS	93 %	88%	77%	82%	85%	89%	87%	88%
CH&ASC	88%	85%	62%	71%	77%	85%	69%	66%
HQ	98%	91%	72%	83%	86%	80%	85%	83%
TEE	61%	89%	47%	89%	46%	90%	51%	88%
CSC&L	77%	86%	56%	64%	55%	63%	50%	58%

## Analysis of reports

Overall there has been significant improvement across all of the business units in the compliance levels reported since end of August 2016.

The highest level of compliance continues to be in Data Protection Awareness training, with most business units achieving close to 90% completion. In their consideration of the reports at their June meeting, CMT are recommending a tolerance level of 90% compliance to reflect staff turnover at any time.

TEE has achieved the greatest level of improvement across the x4 areas of training compared to performance in Sept 2016.

The reports for CH&ASC do not include the staff transferred back into the service from Bucks Care. These employees have not yet been set up with access to e-Learning and were not subject to the refresher mandatory training programme assigned last year.



**Points to note:**

It's come to light in the last few weeks that there are a number of groups of staff who have not been included in the LMS and therefore are not currently accessing e-Learning. BI team provided a recent staffing report which indicated 1118 Bucks CC employees without access to e-Learning and some without a Bucks CC email address and log in. The table below shows a breakdown of these staff groups by contract type. These include large groups of employees who have never had access to the Bucks CC e-Learning site e.g. 341Adult Learning course tutors (casual contracts); 95 sessional and casual social workers; 120 registrar and library volunteers; 157 'Place' staff ; 61 casual & agency ASC staff.

Contract Type	Numbers of employees	
Casual Contract	341	31%
Permanent Contract	328	29%
Volunteer	204	18%
Agency	202	18%
(blank)	21	2%
Self Emp.Consultants	9	1%
Fixed Term Contract	8	1%
Apprentices	5	0%
Grand Total	1118	100%

The Information Governance Group, which oversees Data Protection and Information Governance work across BCC is clarifying which of the above staff groups require access to the Learning Management System (LMS) to ensure they are able to complete the training. As an example, the agency category contains some social workers where a range of very sensitive personal data is used and it is critical that data protection training is completed.

There will be new requirements for mandatory training in 2017. Technology Services are recommending new training on Information Security (to be reported to OCB); and some elements of mandatory training will need to be updated. The Corporate Management Team has agreed that the 'Agile Working' module should be 'recommended' rather than 'mandatory' learning as this is a non-statutory requirement. This will be reflected in the revised induction programme assigned to new starters, and which will include updated guidance on the new requirements for mandatory training.

**Next Steps**

1. Clarification of the changes to mandatory training to incorporate new mandatory training guidance and target date for implementation in 2017, in accordance with Information Governance Group recommendations.
2. Communications to all staff to explain the requirements and timescales for completion.
3. For those staff groups not currently accessing e-Learning and where it is deemed necessary that corporate mandatory learning is undertaken, the Information Governance Group is consulting with service areas and will make recommendations on appropriate learning solutions to enable compliance.



# Regulatory and Audit Committee

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<b>Title:</b>	Petitions Review
<b>Date:</b>	26 July 2017
<b>Author:</b>	Assistant Chief Executive
<b>Contact officer:</b>	Clare Capjon – Acting Head of Member Services (ext. 7969)
<b>Local members affected:</b>	All

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

## Background

The Local Democracy, Economic Development and Construction Act 2009 placed a duty on local authorities to respond to petitions from local people. The purpose was to ensure all authorities considered petitions and for local people to have a way of seeking action to address local concerns. The duty required all local authorities to have a scheme for handling petitions made to the authority.

Buckinghamshire County Council's scheme was developed through the Regulatory & Audit Committee during 2010 and approved by Council. In 2012 the Government withdrew the legal requirements for schemes, with the aim of providing more discretion and reducing bureaucracy. This allows local authorities to develop their own procedure for dealing with petitions.

Buckinghamshire County Council reviewed its scheme and adopted changes again through the Regulatory and Audit Committee in 2013. The updated Petitions Protocol was approved by Council in April 2014.

## Reviewing the Scheme

Over the past twelve months, Member Services has been asked for clarification on a number of issues relating to petitions. These issues are not directly addressed in the Protocol as it currently stands. The issues have included:

- Ensuring the timeliness of responses to local issues where Local Area Forum meetings do not meet issue deadlines
- The potential effect of consultation petitions on consultation periods and decision timelines
- Responding to petitions for the Council to take action on non-Council services and the place-shaping role of the Council
- Data protection and the sharing of petitions with local County Councillors
- Responding to petitions in the pre-election period

In addition, since its original adoption in 2010 although minor changes have been made to the process for petitions, the scheme has not been assessed to understand whether it works satisfactorily for local Members or Buckinghamshire residents.

Over the past year, 24 petitions have been submitted and accepted by the Council. Although this in itself is not a high number, the total number of signatories to these petitions was nearly 12,000 people. Approximately 90% of petitions relate to parking or traffic management issues.

### **Options**

To ensure Buckinghamshire County Council's petitions scheme is fit for purpose, it is proposed to undertake a short but in-depth review during 2017. Two options for the review have been identified:

#### Option 1: Undertake a short, in-depth review of the Scheme

This option would involve a review of both the petitions process and the effectiveness of the scheme in enabling local people to raise issues of concern with the Council.

The review would involve desktop analysis of other authorities to benchmark the Council's current approach and the identification of options for improvement.

Option 1 also provides an opportunity to review the effectiveness of the Scheme from a user's perspective. To do this, the Project Officer would also seek the views of key stakeholders, including Local Members, Petition Organisers and Officers, to evaluate the effectiveness of the petition scheme in enabling local people to have their say and secure resolution to matters of concern.

The outcome of Option 1 would be updated guidance documentation, an updated petitions process which works efficiently, and assurance or recommendations for changes to ensure the Scheme is effective in providing a genuine opportunity for local people to seek action.

#### Option 2: Undertake a short review of the Petitions process

Option 2 would be to undertake an internal review of the Petitions process. This would involve desk-top research to benchmark the current scheme against other local authorities and a review of how the process works from an organisational perspective.

The outcome of Option 2 would be updated documentation and processes which would improve, if necessary, the efficiency of the Scheme.

### **Reporting**

The outcome of the review, together with any recommendations for change, would be reported to the Regulatory and Audit Committee in the autumn of 2017 for consideration. Any changes to the Scheme would need to be approved by Council.

### **Recommendations**

**That the Committee agrees Option 1, a short in-depth review of the County Council's Petitions Scheme.**

### **Resource implications**

The review would be undertaken within current resources.

### **Legal implications**

None

### **Other implications/issues**

None

**Feedback from consultation, Local Area Forums and Local Member views (if relevant)**  
None

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## **Background Papers**

Current Petitions Protocol and website information:

<https://democracy.buckscc.gov.uk/mgepetitionlistdisplay.aspx?VM=2&bcr=1>

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## Regulatory & Audit Committee Forward Plan – Forward Plan

Date of meeting	Items ^ = to OCB	Report Writer
<b>6 Sept 2017</b> <b>PART 2 ITEMS</b>	1. Business Continuity Management ^ 2. Business Assurance Update and Audit Action Tracker 3. Operating Framework Update ^ (MG) 4. Anti-Fraud and Corruption Strategy and Money Laundering Policy ^ (MG) 5. Whistleblowing Policy (Ann Nicholls) 6. Risk Management Group Update 7. Feedback and Complaints <ul style="list-style-type: none"> <li>○ Annual Report – Corporate Complaints</li> <li>○ Annual Report – Adult Social Care</li> <li>○ Annual Report – Children’s Social Care</li> </ul> 8. RIPA Covert Surveillance Report (Annual Report) 9. Contract Management Update (including CMA) ^ <b>10. Limited Assurance Internal Audit Reports^</b> <b>11. Fraud Update (via Statutory Officers Group)</b>	1. Andy Fyfe 2. Maggie Gibb 3. Maggie Gibb 4. Maggie Gibb  5. Anne Nicholls 6. Maggie Gibb  7. Carolyn Scholes  8. Sarah Ashmead 9. Tony Fish 10. Maggie Gibb 11. TBC
<b>8 Nov 2017</b>	1. Treasury Management Update (JE) 2. Business Assurance Update and Audit Action Tracker 3. Business Assurance and Risk Strategy^ (MG) 4. Appointment of External Auditors (RS) 5. Annual Enforcement C&YP (Protection from Tobacco) 6. Report of Chief Surveillance Commissioner) 7. Annual Governance Statement Action Plan 8. Risk Management Group Update <b>9. Limited Assurance Internal Audit Reports^</b> <b>10. Fraud Update (via Statutory Officers Group)</b>	1. Julie Edwards 2. Maggie Gibb 3. Maggie Gibb 4. Richard Schmidt 5. TBC 6. TBC 7. Maggie Gibb 8. Maggie Gibb 9. Maggie Gibb 10. TBC
<b>Jan 18</b>	1. External Auditors Audit Plan 2. Quality Assurance Framework	1. Maggie Gibb 2. Maggie Gibb

## Regulatory & Audit Committee Forward Plan – Forward Plan

	<ul style="list-style-type: none"><li>3. Risk Management Group Update</li><li>4. Limited Assurance Internal Audit Reports^</li><li>5. Fraud Update (via Statutory Officers Group)</li></ul>	<ul style="list-style-type: none"><li>3. Maggie Gibb</li><li>4. Maggie Gibb</li><li>5. TBC</li></ul>
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## Regulatory & Audit Committee Forward Plan – Forward Plan

PAST MEETINGS	
<p><b>26 July 2017</b></p> <p><b>PART 2 ITEMS</b></p>	<ol style="list-style-type: none"> <li>1. Audit of Accounts ^</li> <li>2. Draft Annual Governance Statement ^</li> <li>3. Annual Report of Chief Auditor ^</li> <li>4. 2017/18 Draft Business Assurance Strategy including Internal Audit Plan</li> <li>5. Effectiveness of Debt Management Strategy ^</li> <li>6. Mandatory Training Compliance Update^</li> <li>7. Petitions Process Review (Scope)^</li> <li>8. Risk Management Group update</li> <li>9. Forward Plan</li> <li>10. Limited Assurance Internal Audit Reports^</li> <li>11. Fraud Update (via Statutory Officers Group)</li> <li>12. Private session with Chief Auditor</li> <li>13. Private Session with Grant Thornton</li> </ol>
<p><b>15 June 2017</b></p> <p><b>PART 2 ITEMS</b></p>	<ol style="list-style-type: none"> <li>1. Y/E Treasury Management Update</li> <li>2. Contract Standing Orders - Exemptions/Breaches ^</li> <li>3. Whistleblowing Policy - incidents and effectiveness ^</li> <li>4. 17/18 Draft Business Assurance Strategy (incl. Internal Audit Plan)</li> <li>5. Limited Assurance Internal Audit Reports</li> <li>6. Buckinghamshire Care Update               <ol style="list-style-type: none"> <li>1. Transition Plan</li> <li>2. Contract Management</li> </ol> </li> </ol>
<p><b>24 May 2017</b></p> <p><b>PART 2 ITEMS</b></p>	<ul style="list-style-type: none"> <li>• Draft Statement of Accounts ^</li> <li>• Grant Thornton Audit Plan</li> <li>• Grant Thornton Pension Fund Audit Plan</li> <li>• Business Assurance Update ^</li> </ul>

## Regulatory & Audit Committee Forward Plan – Forward Plan

	<ul style="list-style-type: none"> <li>• Risk Management Group update</li> <li>• Forward Plan</li> <li>• Limited Assurance Internal Audit Reports ^</li> <li>• Fraud Update (via Statutory Officers Group)</li> </ul>
<p><b>26 April 2017</b></p> <p><b>PART 2 ITEMS</b></p> <p><b>MEETING CANCELLED</b></p>	<ul style="list-style-type: none"> <li>• Contract Standing Orders - Exemptions/Breaches ^ - JUNE</li> <li>• Business Continuity Management ^- SEPT</li> <li>• Whistleblowing Policy - incidents and effectiveness ^ - JUNE</li> <li>• Outside Bodies Update ^- TBC</li> <li>• 17/18 Draft Business Assurance Strategy (incl. Internal Audit Plan) ^- JUNE</li> <li>• Business Assurance Update and Audit Action Tracker - JULY</li> <li>• Inspection RIPA Covert Surveillance Inspection ^- TBC</li> <li>• Grant Thornton Audit Plan ^- MAY</li> <li>• Grant Thornton Pension Fund Audit Plan ^ - MAY</li> <li>• Mandatory Training - Compliance Update ^- JULY</li> <li>• Assurance and Risk Strategy ^ - SEPT</li> <li>• Risk Management Group Update - JULY</li> <li>• Forward Plan</li> <li>• Limited Assurance Internal Audit Reports ^</li> <li>• Fraud Update (via Statutory Officers Group) - DELETE</li> <li>• Buckinghamshire Care Update</li> </ul>
<p><b>8 February 2017</b></p>	<ul style="list-style-type: none"> <li>• Business Assurance Update and Audit Action Tracker (to Audit Board)</li> <li>• Treasury Management Annual Strategy ^</li> <li>• Effectiveness of Debt Management Strategy ^</li> <li>• Business Continuity Management Update ^- APRIL MEETING</li> <li>• Contract Management Application Performance Report ^</li> <li>• Limited Assurance Internal Audit Reports ^ - NONE</li> <li>• Fraud Update (to Statutory Officers) – APRIL MEETING</li> </ul>

## Regulatory & Audit Committee Forward Plan – Forward Plan

	<ul style="list-style-type: none"> <li>• TfB ^</li> </ul>
<b>3 January 2017</b>	<ul style="list-style-type: none"> <li>• Business Assurance Update and Audit Action Tracker (to Audit Board)</li> <li>• Annual Report on Feedback and Complaints Procedure ^</li> <li>• Hearing the Customer's View – Annual Report Children and Young People's Social Care ^</li> <li>• Adult's Social Care Complaints Procedure, Making Experiences Count ^</li> <li>• Vexatious Complaints (TBC)</li> <li>• Business Assurance and Risk Strategy ^- APRIL MEETING</li> <li>• Risk Management Group Update</li> <li>• Forward Plan</li> <li>• Limited Assurance Internal Audit Reports ^</li> <li>• Fraud Update (to Statutory Officers)</li> <li>• Buckinghamshire Care ^</li> </ul>
<b>9 November 2016</b>	<ul style="list-style-type: none"> <li>• External Audit Appointment</li> <li>• Treasury Management Update</li> <li>• Contract Standing Orders – Breaches/Exemptions</li> <li>• Annual Enforcement C&amp;YP (Protection from Tobacco)</li> <li>• Report of Chief Surveillance Commissioner</li> <li>• Risk Management Group Update</li> <li>• Annual Governance Statement Action Plan</li> <li>• Public Sector Internal Audit Standards</li> <li>• Forward Plan</li> </ul>

## Regulatory & Audit Committee Forward Plan – Forward Plan

Date of meeting	Items
<b>21 September 2016</b>	<ul style="list-style-type: none"> <li>• Future External Audit Arrangements</li> <li>• Business Assurance Update and Audit Action Tracker</li> <li>• Mandatory Training - Compliance Update</li> <li>• Anti-Fraud &amp; Corruption Strategy and Money Laundering Policy</li> <li>• Special Education Needs Update</li> <li>• Bucks Learning Trust Update</li> <li>• Transport for Bucks Update</li> <li>• Forward Plan</li> </ul>
<b>28 July 2016</b>	<ul style="list-style-type: none"> <li>• Audit of Accounts by end of July</li> <li>• Final Annual Governance Statement</li> <li>• Business Assurance Update and Audit Action Tracker</li> <li>• Effectiveness of Debt Management Strategy</li> <li>• Business Continuity Management Update</li> <li>• Risk Management Group update</li> <li>• Forward Plan</li> <li>• Private session with Chief Auditor</li> <li>• Private Session with Grant Thornton</li> </ul>

## Regulatory & Audit Committee Forward Plan – Forward Plan

Date of meeting	Items
25 May 2016	<ul style="list-style-type: none"> <li>• Statement of Accounts by end of May</li> <li>• Annual Governance Statement</li> <li>• Annual Report of Chief Auditor</li> <li>• Treasury Management Update</li> <li>• Risk Management Group update</li> <li>• Forward Plan</li> </ul>
27 April 2016	<ul style="list-style-type: none"> <li>• Contract Standing Orders - Exemptions/Breaches</li> <li>• Contract Management Application Update</li> <li>• Whistleblowing Policy - incidents and effectiveness</li> <li>• Outside Bodies Update</li> <li>• 16/17 Draft Business Assurance Strategy (incl. Internal Audit Plan)</li> <li>• Business Assurance Update and Audit Action Tracker</li> <li>• Inspection RIPA Covert Surveillance Inspection</li> <li>• Pension Fund Audit Plan</li> <li>• Bucks Learning Trust Update</li> <li>• Future External Audit Arrangements</li> <li>• Risk Management Group Update</li> <li>• Forward Plan</li> </ul>



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