Audit Findings

Year ending 31 March 2018

Buckinghamshire County Council

July 2018

Contents

Your key Grant Thornton team members are:

Paul Grady
Engagement Lead
T: 0207 865 2017
E: paul.d.grady@uk.gt.com

Marcus Ward
Senior Manager
T: 020 7728 3350
E: marcus.ward@uk.gt.com

Tom Slaughter
Manager
T: 020 7728 2972
E: thomas.m.slaughter@uk.gt.com

Cherise Douglas
In-Charge Accountant
T: 020 7865 2488
E: cherise.a.douglas@uk.gt.com

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Buckinghamshire County Council ('the Council') and the preparation of your financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	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 have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting; • other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements	Our audit work was undertaken on site during June and July 2018 and is nearing completion. Our findings are summarised on pages 3 to 11. As at the date of writing this report, we have identified two adjustments to the financial statements in respect of a £6.4m adjustment to correct the classification in the financial statements of net gains on revaluation of investment properties and a £1.1m classification adjustment between long term and short term borrowings. Neither of these adjustments have any impact on the General Fund surplus for the year. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting and the completion of our closedown procedures, as detailed in Appendix E . These outstanding items are listed on page 4. We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of your value for money arrangements. We have concluded that Buckinghamshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to arrangements in respect of children's services. In January 2018, Ofsted issued a report on the re-inspection of your services for children in need of help and protection. This reported rated you as "inadequate", and followed a previous rating of "inadequate" you received for your inspection in 2014. Though some areas of improvement were noted, Ofsted found that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow". We therefore anticipate issuing a qualified 'except for' value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 12 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Director of Finance and Procurement.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based, and in particular included:

- an evaluation of your internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, anticipate issuing an unqualified audit opinion following the Regulatory and Audit Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of evidence for our creditors sample;
- completion of testing of property, plant and equipment disposals;
- completion of testing of property, plant and equipment revaluations;
- completion of testing of capital grant and business rates revenues;
- completion of review of the cash flow statement;
- receipt of management representation letter;
- receipt and review of the final set of financial statements;
- final senior management and quality reviews; and
- review of your Whole of Government Accounts consolidation pack.

Please note, additional queries may arise from the completion of the above matters.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table opposite our assessment of materiality for Buckinghamshire County Council.

	Council Amount (£)
Materiality for the financial statements	£16,553,000
Performance materiality	£12,415,000
Trivial matters	£828,000

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for your audit.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – gained an understanding of the significant accounting estimates, judgements applied and decisions made by management and consider their reasonableness; – obtained a full listing of journal entries, identified and then tested unusual journal entries for appropriateness; and – evaluated the rationale for any changes in accounting policies or significant unusual transactions that came to out attention during the course of the audit. • From our testing of unusual journal entries for months 1 – 9, it was identified that six journal accruals to a total of £1,622,448 were posted by an individual in the SAP team on behalf of the adult learning team into a prior closed period without the permission of the central finance team. This was to post a mid-year accrual to enable an academic return to be completed. However, this bypassed your established process for raising journal accruals; such entries are only permitted to be raised at year end and not mid-year. We reported a control recommendation in respect of this issue to you in our Audit Plan dated 31 May 2018. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any other material issues in respect of this risk.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** You revalue your land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit. .	**Auditor commentary** • We undertook the following procedures in relation to this risk: – reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; – considered the competence, expertise and objectivity of valuation experts used by management; – discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions; – reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; – tested revaluations made during the year to ensure they have been input correctly into your asset register; and – evaluated the assumptions made by management for those assets not revalued during the year to verify how management have satisfied themselves that these are not materially different to their current value. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.
4	**Valuation of pension fund net liability** Your pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; – evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; – gained an understanding of the basis on which the valuation was carried out; – undertook procedures to confirm the reasonableness of the actuarial assumptions made; and – checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary, Barnett Waddingham. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Employee remuneration** Payroll expenditure represents a significant percentage (37%) of your operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Auditor commentary** • We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of payroll expenditure for appropriateness; – gained an understanding of your system for accounting for payroll expenditure and evaluate the design of the associated controls; and – gained substantive assurance over payroll expenditure for the year. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.
6	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage (50%) of your operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of creditors as a risk requiring particular audit attention.	• We undertook the following procedures in relation to this risk: – evaluated your accounting policy for recognition of non-pay expenditure for appropriateness; – gained an understanding of your system for accounting for non-pay expenditure and evaluate the design of the associated controls; and – tested a sample of post-year end payments to test completeness of expenditure recorded in the financial statements. • Subject to the satisfactory completion of outstanding matters set out on page 4, our audit work has not identified any material issues in respect of this risk.

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process	Auditor commentary
Your management have assessed that you remain a going concern on the basis that you have prepared a balanced Medium Term Financial Plan (MTFP) for the next four years (2018-19 to 2021-22). The MTFP has been prepared on the basis that Buckinghamshire County Council will continue to exist over the medium term.	• We have reviewed the significant assumptions upon which your Medium Term Financial Plan is based and have satisfied ourselves that those assumptions are reasonable. • We note that you continue to face sustained pressure on your financial position as a result of reductions in funding from central government and rising demand in some of your core services. It is therefore important that you continue to maintain appropriate budgetary control and that you continue to identify and deliver recurrent and sustainable savings so that you remain a going concern over the longer tem. • You have submitted a bid for a single unitary authority to be established in Buckinghamshire to take over the responsibilities of the county council and four district councils. In March 2018, the Communities Secretary announced that the government provisionally give their backing to this proposal. A decision to abolish the county council would mean that you are no longer a going concern, though under the CIPFA Code of Practice the financial statements would still be prepared on a going concern basis. Your management have assessed that as no final decision on the creation of a unitary authority has yet been made, no material uncertainty exists around your status as a going concern.

Conclusion	Auditor commentary
	• We have concluded that management’s judgement that you remain a going concern is reasonable and that there is no material uncertainty around going concern that we would be required to report.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• You have three principal revenue streams: – taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied; – grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and – 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.	We have no material 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.	Green
Judgements and estimates	• Key estimates and judgements include: – Useful life of Property, Plant and Equipment – Revaluations – Impairments – Valuation of the net pension fund liability – Expenditure accruals – Financial instrument fair value disclosures – Judgements around recognition of schools land and buildings on the Balance Sheet	• We have reviewed and tested all of the material areas of estimation and judgement that are reflected within your financial statements. We have noted no material issues or concerns to report to you.	Green
Other critical policies	• You have adopted accounting policies that you consider to be consistent with the CIPFA Code of Practice.	We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.	Green

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 31 May 2018 and been made aware of frauds identified from the work of internal audit, none of which are significant to the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • Though you prepared and approved your draft financial statements in advance of the national deadline of 31 May, you did not publish your accounts on your website alongside notice of the particulars of the period for public inspection of the accounts until 8 June. This is a breach of section 15 of the Accounts and Audit Regulations 2015, which requires that the period for public inspection of the accounts should cover the first 10 working days of June and that your draft financial statements should be published on your website before 31 May. • We have not identified any other incidences of non-compliance with laws and regulations from our audit work performed.
4	**Written representations**	• A standard letter of representation has been requested from you, which is included in the Regulatory and Audit Committee papers alongside this report
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests in respect of your bank balances, investments and loans as at 31 March 2018. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation, with the exception of confirmations requested in respect of the Money Market Fund investment held with Federated and the Euro account held with Lloyds Bank. We are continuing to chase these confirmations requests with assistance from your officers and will require them to be returned to us before we can conclude the audit.
6	**Disclosures**	• Our review found no material omissions in the financial statements. We identified a number of immaterial disclosure adjustments, which are set out later in this report.
7	**Matters on which we report by exception**	• We have not identified any issues we would be required to report by exception in relation to the following: – 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; and – the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of your financial position and performance acquired in the course of performing our audit, or otherwise misleading.

Other communication requirements (continued)

	Issue	Commentary
8	**Specified procedures for Whole of Government Accounts**	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. As your financial statements exceed the specified group reporting threshold of £500m we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed and we plan to undertake this work in August in accordance with the deadline set by the National Audit Office.

Value for Money

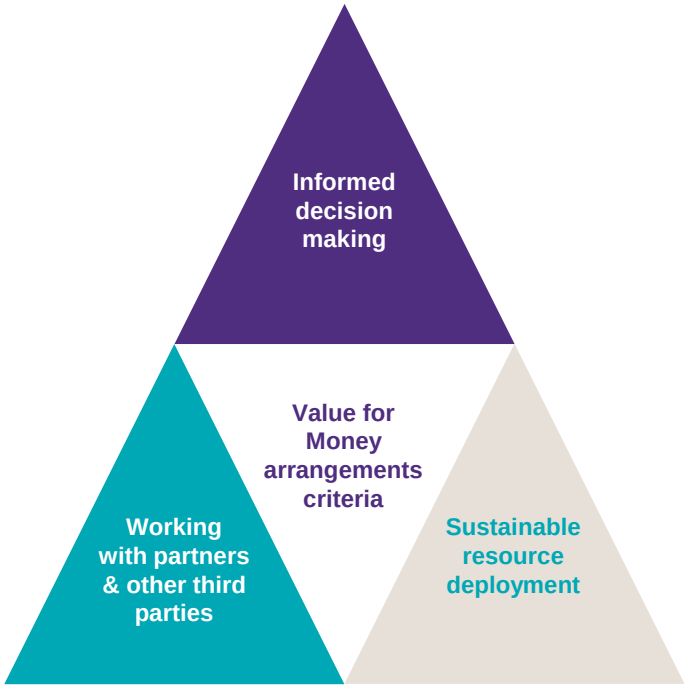
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

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



Risk assessment

We carried out an initial risk assessment in March 2018 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 31 May 2018. The risks that we identified were as follows:

- Ofsted inspection of children's services;
- funding pressures;
- transformation of adult social care services; and
- transfer of services from Buckinghamshire Learning Trust.

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

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

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in your arrangements. In arriving at our conclusion, one of our key areas of focus has been on your arrangements for ensuring economy, efficiency and effectiveness in respect of children's services.

In January 2018, Ofsted issued a report on the re-inspection of your services for children in need of help and protection that you as "inadequate". This followed a previous rating of "inadequate" received for your inspection in 2014. Though some areas of improvement were noted, Ofsted found that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow".

Though you have found the outcome of the Ofsted re-inspection to be disappointing, it is clear that addressing the concerns of Ofsted continues to be a key priority for your members and senior officers.

We consider that the outcome of the Ofsted re-inspection of your children's services 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.

In all respects other than the issues noted by Ofsted in relation to your children's services, we have concluded from our work completed we have no matters to report around your arrangements for securing economy, efficiency and effectiveness in your use of resources

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 14 to 24.

Overall conclusion

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

- except for the matter we identified in respect of children's services, the Council has proper arrangements in all significant respects.

We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix E.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment:

	Significant risk	Findings
1	**Ofsted inspection of children's services** Ofsted issued a report on your children's services in August 2014 which gave a rating of 'inadequate'. A follow-up review was completed by Ofsted in November 2017, for which you have received a further rating of 'inadequate'. We have reviewed progress made in implementing the changes to your arrangements requested by Ofsted. We have also considered your performance against your internal objectives and targets in delivering a safe and reliable children's service.	**Outcome of Ofsted re-inspection of children's services** In 2014, Ofsted undertook an inspection of your children's services which rated Buckinghamshire County Council as "inadequate". During 2016 and 2017, you underwent four monitoring visits from Ofsted to follow up on your progress. Ofsted consistently reported that progress had been made with improving children's services, but noted that there remained areas where the pace in achieving the change required was too slow and that greater progress was needed in relation to embedding consistency in good practice. In November 2017, Ofsted undertook a re-inspection of your services for children in need of help and protection. Their report, published in January 2018, maintained your rating as "inadequate". Some areas of improvement were noted since the previous inspection, with adoption performance receiving a rating of "good", while Ofsted also commented that children are now a top priority for the Council and significant financial investment has been made in services for children and their families. Despite these improvements, Ofsted found that the strategic response to delivering the required change has been piecemeal and that "overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow". Specific areas for improvement that were identified by Ofsted are as follows: - some children are still not having the right help and support that they need at the time when they need it most; - most social workers work hard to support children, but some social workers have many children to support and do not always have enough time to do all that they need to do; - not all managers check to make sure that social workers do the work that they need to do quickly enough to help children; and - sometimes the help that social workers provide to children and their families ends too soon. As a result of the outcome of the re-inspection, In March 2018 the Department for Education issued a statutory direction under section 497A(4B) of the Education Act 1996 to appoint a commissioner to undertake a review of your capacity to make the required changes to how you deliver children's services. John Coughlan, the Chief Executive of Hampshire County Council, was appointed as the commissioner to undertaken this review. On 12 July 2018, it was announced that the Department for Education had considered and accept the Commissioner's conclusion that you should retain responsibility for provision of children's services in Buckinghamshire. The Department also appointed Hampshire County Council as the improvement advisors to support your children's improvement programme. You are now set to receive four quarterly monitoring visits from Ofsted to allow them to review your progress made in implementing their recommendations. The first post-inspection monitoring visit took place on 3 and 4 July 2018 and focussed on Children in Need. The feedback that you will receive from this Ofsted visit will provide you with a useful opportunity to assess your progress made since November in improving your services and whether your revised arrangements for supporting changes to how you deliver your children's services are working.

	Significant risk	Findings
1	**Ofsted inspection of children's services** Continuation of risk noted on page 14.	**Response to the findings of Ofsted** Your members and senior officers have accepted all of the shortfalls found by Ofsted and following the re-inspection you have developed an immediate action plan in response to their findings. A new director of children's services and cabinet member were appointed in November 2017 prior to the inspection, and Ofsted commented in their report that these appointments, alongside the continued support of the leader and chief executive, provide you with a strong senior leadership team that is committed to accelerating the pace of improvements for children. You believe that your children's services team now has appropriate funding and resources following your significant financial investment in supporting their improvement in recent years, and changes required relate to the need to use those resources in a different way to make your team more effective. Since the Ofsted inspection, your officers have reported to your Cabinet that a large proportion of the immediate actions set out within the action plan have been progressed, with many requiring ongoing scrutiny as part of the continuous journey of improvement. You have brought in a new senior management team for children's services to assist you with delivery of the required changes and you have also restructured and revised your Improvement Board arrangements for providing oversight and challenge around implementation of the improvement plan. The new reconstituted Improvement Board first met in April 2018, chaired by the Commissioner appointed by the Department for Education, and it now meets on a regular basis to consider progress against the improvement action plan and provide challenge and support to drive forward improvements across Children's Services. Alongside your response to the findings of Ofsted, you continue to implement your "Change for Children" transformation programme. This aims to support the implementation of your Buckinghamshire Children's Strategy, which seeks to improve outcomes for children and young people, whilst at the same time ensuring that services are financially stable and affordable in longer term. This represents a separate but intertwined stream of work to your response to the findings from Ofsted and is overseen by a separate Programme Board. **Conclusion** While there has been movement in your children's services since the issue of the initial "inadequate" Ofsted rating in 2014, you have not achieved your objective of restoring the quality of your children's services to an appropriate level in all areas of their performance. You have taken significant action since the receipt of the outcome of the Ofsted re-inspection and it is important that you learn from the feedback received from Ofsted to ensure that all of their recommendations are implemented and embedded. **Due to the rating of "inadequate" that you received for the Ofsted re-inspection, we have concluded that you do not have adequate arrangements for achieving economy, efficiency and effectiveness in relation to your children's services functions**

Significant risk	Findings
2 **Funding pressures** In light of the continued 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 (MTFP). We have reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which the MTFP is based.	**Outturn for 2017/18** Despite the challenging funding settlement for local authorities nationally, you have continued your good track record of delivery of services within budget and attainment of planned savings and income generation targets, delivering an outturn position for 2017/18 of a surplus of £2.9m. As was summarised within the outturn report presented to your Cabinet in May, your outturn performance by Portfolio Area was as follows:

Portfolio Area	Outturn £000	Budget £000	Variance £000	Variance %
Leader	6,937	6,955	(18)	(0.3%)
Community Engagement	9,509	9,490	19	0.2%
Health & Wellbeing	131,274	131,275	(1)	(0.0%)
Children's Services	67,326	65,618	1,708	2.6%
Education & Skills	26,638	26,750	(112)	(0.4%)
Resources	24,735	24,677	58	0.2%
Planning & Environment	9,769	10,637	(868)	(8.2%)
Transportation	27,549	27,516	33	0.1%
Subtotal - Portfolios	**303,737**	**302,918**	**819**	**0.3%**
Corporate Costs (non Portfolio)	(306,625)	(302,918)	(3,707)	1.2%
Overall BCC	**(2,888)**	**-**	**(2,888)**	

Your outturn surplus of £2.9m reflects an overall overspend at portfolio level of £0.8m, offset by savings of £3.7m at a corporate level. This compares to portfolio overspend of £3.5m for 2016/17, with the reduction in the portfolio overspend due to your success in resolving areas of overspend in the Health and Wellbeing and Education and Skills portfolios. The largest area of overspend in 2017/18 was a £1.7m net overspend for the Children's Services portfolio, reflecting pressures due to the increase in the number of looked after children in year as well as increased unit costs. This has been an area of continued overspends in recent years, with an overspend of £1.5m reported for Children's Services for 2016/17. This highlights a need for your officers to continue to work to mitigate overspends for Children's Services. However, you have recognised that reducing overspends in this area will be challenging given recent increases in demand and the need to respond to findings noted by the recent Ofsted inspection.

During the year, you generated an additional £6.1m of income against a budget increase of £5.7m, which represented over-achievement of 7% relative to your budget. This is positive result, as you have been pushing to develop additional income streams to support your budget position and to safeguard the services that you provide.

In 2017/18, you delivered an outturn underspend on your capital budget of £16.4m for 2017/18, compared to an underspend of £12.9m for 2016/17, owing to slippage on delivery of projects. This slippage represents 18.8% of the overall budget. Although this is a slight deterioration on the prior year when slippage on the capital budget was 17.0%, we note that this is below the level of slippage experienced in 2015/16 and 2014/15 of 21.6% and 34.6% respectively.

Significant risk	Findings
2 **Funding pressures** Continuation of risk noted on page 16.	**Adequacy of reserves** While your reserves remain below their historic levels, as a result of the outturn position the General Fund balance increased to £27.4m as at 31 March 2018, which represents 8.3% of your budget requirement for 2018/19. Your non-schools earmarked reserves also increased during the year by £14.6m to £99.2m. In April 2018, the County Council agreed to release £1.2m from the General Fund to finance plane and patch repairs to roads, giving a General Fund balance at the end of April 2018 of £26.2m. Your reserves position benchmarked against other County Councils in England as at 31 March 2018 is as follows:

Buckinghamshire County Council - benchmarking of reserves relative to other County Councils

Measure *	Buckinghamshire County Council	Average for County Councils in England	Ranking relative to other County Councils in England
Unrestricted general fund reserves as at 31 March 2018 (£m)	27,393	24,456	8 / 27
General fund and non-schools earmarked general fund reserves as at 31 March 2018 (£m)	126,628	143,561	15 / 27
General fund and earmarked general fund reserves as at 31 March 2018 (£m)	139,255	167,747	17 / 27
Total usable revenue and capital reserves as at 31 March 2018 (£m)	152,004	226,679	18 / 27
General fund and earmarked general fund reserves as a percentage of gross service revenue expenditure	16.2%	13.7%	10 / 27
Useable capital and revenue reserves as a percentage of gross service revenue expenditure	17.7%	18.3%	14 / 27

* Based upon unaudited financial statements as at 31 March 2018

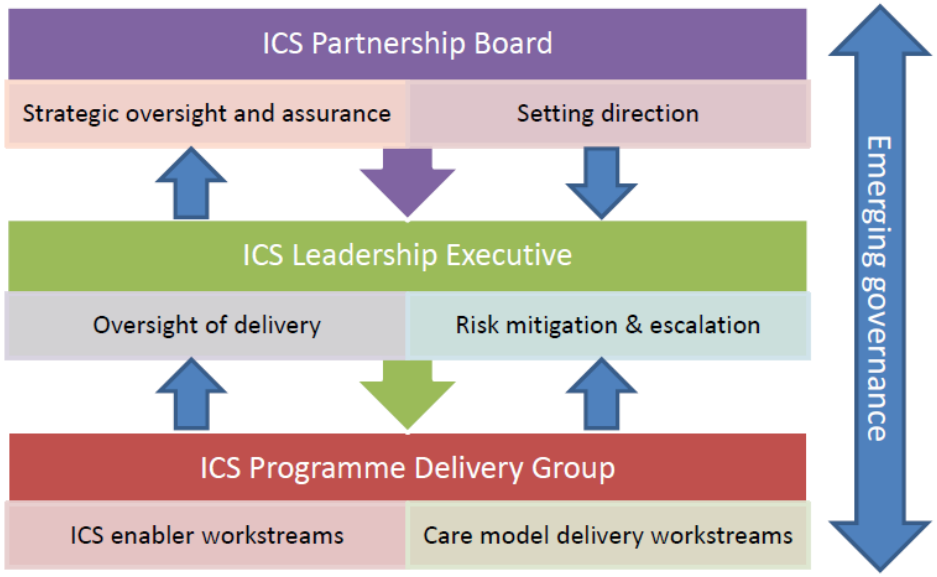
This analysis indicates that overall you hold a relatively average level of reserves for an authority of your size, though your unrestricted general fund reserves place you n the top third of comparative authorities.

We consider that you are in a healthy position for an authority of your size and scale and that you have sufficient reserves to enable you to weather the financial pressures that you will face over the period covered by your Medium Term Financial Plan. Nevertheless, your reserves will not be sufficient to sustain you over the longer term in the current funding environment of reduced government funding for the delivery of services in Buckinghamshire. It is important that you continue to develop wider transformation savings to support the resilience of your core services in the long term.

	Significant risk	Findings
2	**Funding pressures** Continuation of risk noted on page 16.	**2018/19 budget and medium term financial sustainability** The MTFP approved by the Council in February 2018 covers the four year period to 2021/22. The MTFP reflects the anticipated annual loss of government funding and business rates income available to you, before the setting of your Council Tax requirement, of £36.1m by 2021/22 compared to 2017/18 levels, on top of significant funding reductions that you have already faced in recent years. You have also forecast that you will make net contributions into reserves of £2.1m in 2018/19, £0.04m in 2019/20, £0.3m in 2020/20 and £0.7m in 2021/22. This will provide you with some additional flexibility within your medium term financial planning as you could opt not to make these contributions were you to face additional budgetary pressures. While attaining savings on the scale forecast within your MTFP would be challenging for any local authority, we note that the MTFP is based upon reasonable assumptions and that overall you have appropriate arrangements in place for identifying and implementing appropriate savings to allow this plan to be achieved. The saving plans that you have set have been developed as part of an incremental process throughout the year and have been subject to detailed member scrutiny and challenge. You have spent considerable effort seeking to mitigate the risks to the delivery your medium term financial plans and, whilst the challenge increases year on year, you have demonstrated a strong history of being able to meet these challenges and in delivering planned financial targets. Following the publication of a recent National Audit Office (NAO) report on the Best Value Review of services provided by Northamptonshire County Council, you undertook a review of whether the issues identified by the NAO as contributing to the financial decline at Northamptonshire are applicable to Buckinghamshire County Council. This paper was reported to your Cabinet in May 2018 and concluded that though you are in a significantly stronger position than Northamptonshire, with a good record of managing spend within the overall budget and high member involvement in the budget process, there is no room for complacency. We agree with the findings of this report. The national pressures faced by local authorities in relation to demand for children's and adults services are pertinent in Buckinghamshire and it is important that you continue to strengthen your financial management arrangements in these areas. You have undertaken your medium term financial planning on the assumption that the County Council will continue to exist in its current form. In March 2018, the Communities Secretary announced that the government are minded give their backing to the creation of a single unitary authority in Buckinghamshire, to replace the County Council and four district councils. You continue to await the government's final decision on whether the transition to a new unitary structure will take place. If the proposal is approved, you have forecast that the new operating structure will enable the attainment of additional revenue savings of £18.2m annually across the County. This would mitigate some of the medium term financial challenges that you and the district councils face and would help to safeguard services in Buckinghamshire over the longer term.

Significant risk	Findings
2 **Funding pressures** Continuation of risk noted on page 16.	**Investment strategy** Over the last three years, you have invested in acquiring a portfolio of property assets to generate an income stream to help offset some of impact of the loss of government funding, to protect services from additional reductions. There are risks inherent in this strategy, for example the risk of properties remaining vacant, and you have mitigated these through your use of professional advisers to support the identification and evaluation of potential purchase opportunities, and through your decision to set aside a proportion of the income received from these properties to address any periods where properties are vacant and rental income is not being received. During 2017/18, you invested £37.7m in the acquisition of new properties, which included the purchase of commercial properties at Knaves Beech Retail Park and Clarion House. Your investment property portfolio was valued at £130.8m as at 31 March 2018, compared to £83.8m as at 31 March 2017, and the portfolio generated for you £4.3m of rental income during the year. This has made a sizeable contribution to supporting your revenue outturn position and supporting the services that you provide. Overall, we have noted no concerns in relation to the arrangements supporting your property investment strategy. It is clear that you have undertake you property investments in a reasonable and measured way, with an appropriate due process supporting the acquisition including a clear consider of the risks and appropriate signoff by the Cabinet on all key investment decisions. **LOBO settlement** On 12 April 2018, you paid £77.0m you entered into an agreement to redeem £48.0m of Lender Option Borrower Option (LOBO) loans and to replace these with a new Public Works Loans Board (PWLB) loan with a lower interest rate. These loans were originally entered into in 2008 and were due to mature in 2078. Your treasury management advisors have estimated that this early redemption will save you £10.4m in borrowing costs compared to holding these LOBO loans until maturity. We have reviewed the settlement of these loans. We are satisfied with regard to the regularity of this transaction and have noted not concerns to report to you. **Conclusion** You have delivered a balanced budget in 2017/18 and you have set a Medium Term Financial Plan that indicates that you will continue to deliver a balanced budget through to the end of 2021/22. However, you continue to face significant financial risk over the medium term due to increases in demand for your core services, particularly in respect of social care and children's services. It is therefore important that you continue to implement long-term strategies to mitigate these pressures that you face. **On the basis of the work completed we have concluded that the risk that we identified in respect of your funding pressures has been sufficiently mitigated and that you have proper arrangements.**

	Significant risk	Findings
3	**Transformation of adult social care services** You are currently transforming the way that adult social care is delivered in Buckinghamshire, including resolving residual challenges from bringing the work of Buckinghamshire Care back in house and greater health and social care integration, with a movement toward the establishment of an Accountable Care System in Buckinghamshire. We have reviewed progress made in implementing the changes to your arrangements and have held discussions with relevant officers involved in the delivery of this transformation.	**Adults transformation – "Better Lives Strategy"** During the year, you developed a programme of work to transform how you deliver adult social care services. This has been undertaken with a view to modernising social care, driving improvements around prevention to support people to remain healthy, safe and independent for longer, and also reducing and delaying demand for services. You have reformed your previous adults transformation approach and you published your new "Better Lives Strategy" in April 2018, setting our your core principles and objectives for improving adult social care services and creating services which are sustainable for the future residents of Buckinghamshire. The three key parts to the strategy are living independently, regaining independence and living with support, and you have developed a comprehensive set of objectives and metrics that covers each these three main streams of work. It is clear that you have undertaken detailed planning and developed a clear and deliverable framework to support the programme's implementation. You have developed a Project Management Office (PMO) function to provide you with the operational capacity to deliver the desired benefits. A Programme Plan has been prepared, which sets out actions for each of the areas of the programme, along with a clear timeline for their implementation, covering up to March 2020. This sets out a clear mapping to support the implementation of the programme and to provide clarity on responsibilities and deadlines for each element of programme. As the programme develops, we would recommend that you extend your project planning to map the interdependences arising from the different streams of the transformation. This would allow you to be clear what are the critical elements of the programme that may prevent benefits being realised in other areas of transformation in the event of their slippage or delay. To provide oversight over the implementation of the transformation programme, you have formed an Adult Social Care Programme Board to meet on a monthly basis to provide the overarching governance and decision making framework for the programme. This is chaired by the executive director for Communities, Health & Adult Social Care and includes representation from all key stakeholder groups, including members, programme leads and HR. The Programme Board has a clearly defined remit, which includes providing challenge and scrutiny over all elements of the programme, resolving conflicts between the programme and business as usual, and ensuring co-ordination with the deliver of the Medium Term Financial Plan and agreed savings targets. The Programme Board provides regular updates on progress to the Corporate Management Team and is also subject to oversight by your Health and Adult Social Care Select Committee. The integration and longer term provision of services previously provided by Buckinghamshire Care forms a part of your overall transformation. You have reached pragmatic decisions on how to re-form and integrate these services into your wider strategy for social care, which has included closing down a small number of services that do not align with your wider objectives. From our review, we have noted no significant concerns in relation to the arrangements for your transformation of adults. It is clear that appropriate high-level governance frameworks have been put in place and that there has been appropriate involvement from members in their design. However, your transformation remains in is early stages and the application of these arrangements will be the critical success factor in determining the success of the transformation programme and realisation of intended benefits. In short – the quality of the arrangements is only as good as the calibre of skills and experience implementing them. It is important that you continue to strive to support the effective governance of your programme arrangements, delivering honest messages where appropriate to ensure the realisation of the planned benefits.

Significant risk	Findings
3 **Transformation of adult social care services** Continuation of risk noted on page 20.	**Integrated care system** In June 2017, Buckinghamshire was announced as one of eight national Accountable Care Systems (ACS) pilots to transform health and social care. This has subsequently developed into an "Integrated Care System" (ICS) model, to better facilitate integration of services and collective responsibility for financial and operational performance and health outcomes. The ICS is not a separate entity, but a partnership between care commissioners and providers in Buckinghamshire as a forum for making single and consistent decisions about how to deploy resources and to allow the implementation of place-based, multi-year plans to deliver improvements for the local health economy. The ICS structure is that of an overall ICS Partnership Board and Executive Group on which are represented members of each of the main providers and commissioners in Buckinghamshire, which then report up to your Health and Wellbeing Board. Beneath the ICS Partnership Board, the ICS Leadership hold responsibility for oversight and delivery of the programme as well as risk mitigation, while the ICS Programme Delivery Group is responsible for its implementation. These responsibilities as summarised as follows:  Governance arrangements to support the new operating framework are continuing to develop. The ICS plans have been appropriately approved by your Cabinet and relevant committees, and are in line with your overall integration aims. While still in its early stages, there are positive signs of progress and greater integration so far. For example, you and your NHS partners have recently appointed a joint head of IT between the Council, Buckinghamshire Healthcare NHS Trust and NHS Buckinghamshire CCG. You expect this shared appointment to facilitate greater integration and allow more joined up working in respect of IT.

	Significant risk	Findings
3	**Transformation of adult social care services** Continuation of risk noted on page 20.	**Sustainability and Transformation Plan (STP)** You are part of the Buckinghamshire, Oxfordshire and Berkshire West (BOB) Sustainability and Transformation Plan. This aims to bring together the various organisations that provide healthcare services across the STP footprint to ensure the delivery of quality services, address future health challenges and deliver within the limited resources available. The STP plan was submitted in October 2016 and proposed a number of solutions to deal with these at both the wider BOB level and the Buckinghamshire level. Failures within one part of the system can easily have a knock on implication for another part, so it is critical that all work together effectively to deliver for the areas. The STP plans entered the implementation stage during 2017/18. Key programmes led through the STP include upgrading diagnostic capacity and preventative intervention around cancer, closer working between the NHS and public health care provided through the STP-wide "Making Every Contact Count" programme, and also the adoption of a single systematic approach to population health management and capacity management. It is not clear at this stage how effective the STP plans will be at delivering genuine joined up care. The STP requires much closer working between the NHS and local authorities. The continued provision of effective social care is critical to preventing people from needing hospital stays and reducing delayed transfers of care. It will be critical to ensure funds are appropriately targeted, and that both you and your NHS partners consider the holistic picture when making financial and non-financial decisions over service provision. **Conclusion** Sufficient Adequate programme arrangements are in place to support the attainment of your adults transformation programmes. While your adults transformation has progressed well so far, it remains early days. It is important that you continue to retain appropriate focus on supporting your new adults strategy throughout its implementation. **On the basis of the work completed we have concluded that the risk was sufficiently mitigated and that you have proper arrangements.**

	Significant risk	Findings
4	**Transfer of services from Buckinghamshire Learning Trust** You terminated the main elements of your contract with Buckinghamshire Learning Trust and brought the majority of their services back in-house from 1 April 2018. We have reviewed arrangements for the transfer of services back in-house and discussed with officers the plans in place for managing these services going forward.	**Transfer of functions from Buckinghamshire Learning Trust** The Buckinghamshire Learning Trust (BLT) is an independent charity that was set-up in 2013 as an "Alternative Delivery Vehicle" of the Council to provide a range of services to support schools, including the Specialist Teaching Learning and Cognition Service, Early Years Service and Early Years Workforce Development, Schools Financial Management Advisory Service, School Improvement Service and Governor Services. You previously provided these services directly in-house. The activities of BLT were funded by a grant from the Council. The Funding Agreement between the Council and the BLT was due to expire on the 31st July 2018, unless an option to extend for up to 2 years is triggered. Given the option for a break in the contract, you reviewed the services provided through the BLT to consider whether the existing model of delivery of these services through an outsourced body remained the most efficient and effective means of provision of the services over the longer term. The loss of the Education Support Grant as a source of funding alongside significant policy changes with regard to education has contributed to concern around the suitability and sustainability of the provision of these services through the BLT. In parallel, the launch of your Education and Skills Strategy during the year to articulate your ambition for children and young people in Buckinghamshire prompted consideration around different potential models for service delivery. In January 2018, your Cabinet reached a decision that the contract with the BLT would not be renewed. It was agreed that the majority of the services provided by the BLT would transfer back to the Council from 1 April 2018, with School Improvement Services and Governor Services to transfer from 1 August 2018. Following this transition, the BLT will continue to exist in a much smaller form with about 30 to 40 staff, to provide some of the services that it had established outside of its main contract with the County. You are continuing to provide non-financial support to the post-transition BLT and have also for a small fee provided a guarantee in respect of the BLT's Local Government Pension Scheme commitments to cover off any liabilities that may arise should they become insolvent in the future. In preparing for the transition, your officers and the BLT have worked closely together to arrive at a solution that suits both organisations to support the smooth transition of functions without incurring unsustainable cost to County or undermining the ongoing viability of the BLT. This included the setup of an Exit Governance Board formed jointly from officers of the County and of the BLT to oversee the transfer of services and the establishment of separate Exit Working Groups for each of the core areas transferring back in-house to ensure a smooth transition. It is clear that the transition to date has been planned and supported by suitable governance arrangements supported by senior officer and member input.

	Significant risk	Findings
4	**Transfer of services from Buckinghamshire Learning Trust** Continuation of risk noted on page 23.	**Conclusion** No significant issues have arisen to date from the transition, and your senior officers consider that the transfer of services from the BLT back to the County has progressed according to plan and has not impacted current service delivery to schools, settings, children and young people. You are considering options for effectiveness in the long-term provision of the services formally provided by the BLT and while no significant transformation of their delivery is planned, you are committed to ensuring the efficiency and effectiveness of these services going forward. **On the basis of the work completed we have concluded that the risk that we identified in respect of the transfer of services from Buckinghamshire Learning Trust has been sufficiently mitigated and that you have proper arrangements.**

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

As we highlighted to you in our Audit Plan dated 31 May 2018, the 2017/18 audit is Paul Grady's sixth year as your Engagement Lead. Where an Engagement Lead wishes to act for a period of more than five years, we are required to seek agreement from those charged with governance (the Regulatory and Audit Committee), that you are content with this arrangement. You have confirmed that you are content. Engagement Leads are able to act for a maximum of seven years at local authority audits.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
Audit related			
Teachers Pensions certification (in respect of 2016/7)	£7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £7,500 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Skills Funding Agency certification (in respect of 2016/17)	£4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £88,088 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees.

Action plan

We have identified 3 of recommendations for you as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	Medium	• Though you prepared and approved your draft financial statements in advance of the national deadline of 31 May, you did not publish your accounts on your website alongside notice of the particulars of the period for public inspection of the accounts until 8 June. • This is a breach of section 15 of the Accounts and Audit Regulations 2015, which requires that the period for public inspection of the accounts should cover the first 10 working days of June and that your draft financial statements should be published on your website before 31 May.	• You should ensure in future periods that the draft financial statements are published on your website prior to 31 May, alongside notice of the particulars of the period for public inspection of the accounts. **Management response** • We have amended our timetable to ensure this is clearly documented with enough lead time to make sure all statutory deadlines are met. • It should be noted that the draft accounts were published on the website within the Regulatory & Audit Committee meeting papers on 24 May 2018.
2	Medium	• A number of users in your SAP team have access to the "SAP_ALL" authorisation profile, which contains virtually full system rights. • The profile provides access to all IT functions as well as business transactions which with misuse can cause operational stability and financial misstatements. • In our Audit Plan dated 31 May 2018, we reported to that an individual in the SAP team had used their access rights to post six journal entries in a closed period without permission from your finance team and in breach of your journals policy.	• The SAP_ALL profile should be reserved for use within an emergency or firefighter type ID that can be locked when not in use, since most day to day administrative activities do not require such wide ranging access as provided by SAP_ALL. **Management response** • The SAP_ALL profile is used for upgrades so requires full access to the system; this ensures that when upgrades are happening there is no stopping and starting due to authorisations. This profile is currently locked and password deactivated.
3	Medium	• Your SAP generic accounts, such as the "DDIC" user account, are set to run with the highest system privileges and are a target for unauthorised access. • The standard accounts do not need to be active in the system and increase the risk of unauthorised access if not locked down.	• Management should consider removing processes that run on the DDIC account and ensure that it is locked. We also recommend that it be changed to a System account, in order to align with best practice. • **Management response** • The user type to be changed to system user and then changed only to dialog when required for the upgrade. Please note that this user has already been changed to System and the password has been deactivated. Our Security Strategy has been updated to reflect this.

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

Follow up of prior year recommendations

We identified the following issue in the audit of the Buckinghamshire County Council's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• We identified that £25,983k of reconciling items on the bank reconciliation relating to un-cleared miscellaneous receipts and payments had not been cleared during the year end bank reconciliation process as at 31 March 2017, despite relating to payments made in December 2016 and January 2017. These reconciling items net off and there is no impact on the accounts, however we consider this a housekeeping issue that management should address. • We recommended that you ensure that all significant reconciling differences identified on the bank reconciliation are cleared on a monthly basis.	• We noted no such issues from review of your year end bank reconciliations as at 31 March 2018. As such we are satisfied that this matter has been resolved.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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

	Detail	Comprehensive Income and Expenditure Statement £'m	Balance Sheet £'m	Impact on the General Fund £m
1	Correction of posting of revaluation gains arising on revaluation of investment properties:			
	- DR financing and investment income and expenditure - £6.4m	£6.4		£6.4
	- CR surplus on revaluation of non-current assets - £6.4m	£(6.4)		
	- DR revaluation reserve - £6.4m		£6.4	
	- CR capital adjustment account - £6.4m		£(6.4)	£(6.4)
2	Correction of error in classification of Public Works Loans Board (PWLB) borrowings:			
	- DR long term borrowing - £1.1m		£1.1	
	- CR short term borrowing - £1.1m		£(1.1)	
	Overall impact	**£-**	**£-**	**£-**

Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Narrative report	• In the Narrative Report, it was stated that total temporary borrowings as at 31 March 2018 were £44.2m. However, total temporary borrowings as at the year end were actually £32.0m.	✓
Critical Judgements in Applying Accounting Policies	• You disclosed as at critical judgement the fact that the Teachers' Pension Scheme is accounted for as a Defined Contribution Scheme as the liabilities attributable to the Council cannot be specifically identified. We do not consider this a this is not a critical judgement, as it is a requirement of the CIPFA Code that the TPS be accounted for as a Defined Contribution scheme so no critical judgement has been made.	✓
Events after the Balance Sheet Date	• No disclosure was provided of the fact that you paid £77m in April 2018 to exit your LOBO loans held with Commerzbank. We consider that this this constitutes a relevant event after the reporting period that requires disclosure.	✓
Expenditure and Income analysed by Nature	• Total gross income and gross expenditure for 2017/18 disclosed in Note 2 "Expenditure and Income analysed by Nature" were both understated by £1.5m.	✓
Taxation and Grant Income	• Within the "Non-ringfenced Government Grants" table in Note 7 'Taxation and Grant Income', the Adult Social Care Grant for £1.7m and Improved Better Care Fund grant for £3.5k were included within the "Total of other grants below £1m each" line and not separately analysed.	✓
Defined Benefit Pension Schemes	• Note 14 'Defined Benefit Pension Schemes', it is disclosed that there was a 0.15% increase in the discount rate used by the actuary compared to the previous year. However, the disclosure rate actually decreased by 0.15%.	✓
Defined Benefit Pension Schemes	• Expected contributions for the Local Government Pension Scheme for 2018/19 were disclosed as £31.5m in Note 14 'Defined Benefit Pension Schemes', but per the report of your actuary are £36.1m.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the interest expense for the year for financial liabilities measured at amortised cost" was understated by £1.0m.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the fair value of financial liabilities was understated by £32.0m due to temporary borrowings having been incorrectly excluded from the calculation of the fair value estimate.	✓
Financial Instruments	• The disclosure in Note 21 'Financial Instruments' of the fair value of loans and receivables at 31 March 2017 was restated from £5.5m as reported in the 2016/17 signed accounts to £57.2m to rectify a prior year error. However, no disclosure of the basis of this restatement was provided.	✓

Audit Adjustments (continued)

Disclosure omission	Detail	Adjusted?
Financial Instruments	• "Collection Fund Adjustment" receivables and payables disclosed in Note 21 ‘Financial Instruments’ were understated by £6.6m and £3.6m respectively.	✓
Financial Instruments	• The disclosure in Note 22 ‘Nature and Extent of Risks Arising from Financial Instruments’ within the maturity analysis of your borrowings disclosed, borrowings payable “less than one year, “between one and two years” and “between two to five year” were understated by £1.1m, £2.2m and £6.7m respectively and borrowings payable in “more than five years was overstated by £10.0m.	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£88,088	£88,088
Total audit fees (excluding VAT)	**£88,088**	**£88,088**

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

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Teachers Pensions certification (in respect of 2016/17)	£7,500
• Skills Funding Agency certification (in respect of 2016/17)	£4,000
	£11,500

Audit opinion

We anticipate we will provide you with an unmodified audit report on the financial statements and a modified 'except for' value for money conclusion.

Independent auditor's report to the members of Buckinghamshire County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Buckinghamshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Procurement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 4 to 18, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

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 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, 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 2018.

Basis for qualified conclusion

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

In January 2018, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board. The overall judgement was that children's services were rated as inadequate.

Following consideration of Ofsted's report, the Secretary of State for Education concluded that the Authority was failing to deliver children's services to an adequate standard and appointed a commissioner to review whether the most effective way of securing and sustaining improvement in Buckinghamshire is to remove the control of children's social care from the Authority for a period of time.

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.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Director of Finance and Procurement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Procurement. The Director of Finance and Procurement 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Regulatory & Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - 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 Local Audit and Accountability Act 2014 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 2018. 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 2018.

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

30 Finsbury Square
London
EC2A 1AG

Date