



# The Audit Findings for Buckinghamshire County Council

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**Year ended 31 March 2019**

**27 February 2020**



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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>The majority of our audit work was completed on site during June and July 2019, however further work has been required to address material issues with the valuation of the Council's property, plant and equipment. Our findings are summarised on pages 6 to 17. We have identified several adjustments to the financial statements, including a material understatement of the Council's property, plant and equipment. Significant additional further work has been required by both the Council and us in respect of this issue. Further details on this additional work are included in the 'Significant findings – audit risks' section of our report.</p> <p>The 'Significant findings – audit risks (valuation of the pension fund net liability)' section of this report also sets out the additional work we have had to perform in respect of the McCloud court case. The work on this matter has impacted on the progress of a number of areas of the audit, due to the additional time commitment required. This matter was outside the control of the Council and the court case was only finalised in June, after the accounts had been submitted for audit.</p> <p>The Financial Reporting Council who, from April 2019, now regulate public sector audit, have made clear their increased expectations in respect of audit work on pensions and the valuation of property, plant and equipment. This has increased the volume of work we've needed to do for bodies of your size. The additional work arising from the factors set out above, particularly the work on property valuations, has increased our total workload. There is increased focus on what preparers of financial statements and their auditors have done to assure themselves that the carrying value of property assets are fairly stated at the balance sheet date. In our view this increased expectation has presented a significant challenge for the Council for two main reasons:</p> <ul style="list-style-type: none"> <li>• Historically the Council has adopted an approach to valuing its property assets over a five-year cycle in exact fifths. This means that as it approaches the end of that cycle there is a large proportion of assets which has not been revalued for several years</li> <li>• The Council uses a valuation date of 1 April which means that at the period end the values of those assets which have been subject to formal revaluation during the year are valued 12 months out-of-date.</li> </ul> <p>The Council has sought to remedy the potential impact this has on its financial statements by applying indices obtained from its external valuer to its property balances. This work is complex and unusual taking time on the part of both officers at the Council and for us as auditors. The exercise has identified that the Council's approach to property valuations results in a material understatement of the carrying value of the Council's property assets in the draft financial statements. The Council has therefore used the indexation work it has carried out to make adjustments to the financial statements.</p> <p>This approach is highly unusual and not in strict accordance with the CIPFA code of practice which does not allow for indexation and requires the valuation to be undertaken by a suitably qualified expert.</p> <p>In response to this unusual set of circumstances we have altered our approach to the auditing of property valuations and have employed our own valuations expert to review the work done by the Council. This work has identified some gaps in the approach taken by the Council which we are currently seeking to resolve with officers, in particular:</p> <ul style="list-style-type: none"> <li>• The potential change in value of the Council's residential properties</li> <li>• The potential movement for those assets where no appropriate index was provided by the Council's valuer</li> </ul>
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# Headlines

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## Financial Statements (continued)

The draft financial statements submitted for audit in late May contained several inconsistencies. There were several figures in the Movement in Reserves Statement, Balance Sheet and the supporting notes which were different to one another, even though they should be the same. This issue was resolved in the version of accounts we received on 24 July 2019. Our audit work in this area has been delayed as a result. The draft statements also included a cash flow statement which contained figures copied incorrectly from the prior year and did not agree to the cash figure on the balance sheet. These errors have not proven to be material. They are indicative of challenges faced by the Council to produce financial statements by the 30 May deadline. Resolving these issues has taken time on the part of both the finance and audit teams. Appendix C to this report sets out in further detail the errors and misstatements we have identified.

Provision of adequate working papers and responses to audit queries were, on some occasions, slow in coming, particularly given the short timescale that we attempted to complete the audit in. There are a number of areas where, in our view, the working papers and evidence provided could be improved. The process of agreeing all required amendments to the financial statements has not been without difficulty. To date, we have received thirteen sets of draft financial statements for review. These challenges have been compounded by capacity challenges within the audit team and the extra work set out above.

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.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- completion of our work on the valuation of property, plant and equipment
- completion of our testing of the cash flow statement
- updating of our work on subsequent events;
- receipt of management representation letter (see appendix F); and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph in respect of local government reorganisation.

# Headlines

## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, 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 the Council's 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 the matter we have identified in respect of children's services.

We therefore anticipate issuing an 'except for' value for money conclusion. Our findings are summarised in the 'Value for money' section of this report.

## 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
- To 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 and have completed our work on the Whole of Government Accounts (WGA) consolidation pack

## 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 management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;

- Controls testing of the Council's employee remuneration system; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 4 April 2019.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E. These outstanding items include:

- completion of our work on the valuation of property, plant and equipment
- completion of our testing of the cash flow statement
- updating of our work on subsequent events;
- receipt of management representation letter (see appendix F); and
- review of the final set of financial statements.

## 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.

	Amount (£)
Materiality for the financial statements	17,524,000
Performance materiality	12,267,000
Trivial matters	876,000

Our assessment of materiality, performance materiality and trivial matters has been updated to reflect the draft financial statements, and so the figures differ slightly from those reported to you in our audit plan. We detail in the table below our determination of materiality for Buckinghamshire County Council.

Performance materiality is used to identify and risk assess those balances and disclosures which should be subject to audit procedures. It is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b> Revenue includes fraudulent transactions</p>	<p><b>Auditor commentary</b></p> <p>We reported in our audit plan that we had considered the risk factors set out in ISA240 and the nature of your revenue streams and had determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition as the majority of your income is derived from grants or formula based income from central government and tax payers;</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>Therefore we do not consider this to be a significant risk for your audit. Our assessment has not changed since we reported it to you in our audit plan.</p>
<p><b>2</b> Management override of controls</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>• on a risk-based basis, tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our testing identified several journals which were not authorised in line with the Council's procedures prior to them being posted. These covered areas such as payroll, school funding, loan transactions and acquisitions of investment properties. Whilst we are satisfied that this has not resulted in misstatements in the financial statements, action does need to be taken to ensure that the Council's authorisation procedures are followed for all journals. A recommendation has been included in the Action Plan in Appendix A in respect of this.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>3</b> Property, plant and equipment - valuation of land and buildings (rolling revaluation)</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluated the competence, capabilities and objectivity of the valuation experts;</li> <li>• written to the valuers to confirm the basis on which the valuation was carried out;</li> <li>• challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding;</li> <li>• tested revaluations made during the year to see if they had been input correctly into the your asset register;</li> <li>• evaluated 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 at year end.</li> </ul> <p><u>Other land and buildings</u></p> <p>The Council revalues its property, plant and equipment on a rolling basis over a five year period. This is a reasonable approach, but the Council still needs to demonstrate that the carrying value of assets which were not revalued in 2018/19 are not materially different to their fair value at 31 March 2019. In addition, those assets which were revalued in 2018/19 were valued at 1 April 2018. The Council also needs to demonstrate that the carrying value of these assets are not materially different to their fair value at 31 March 2019. Our initial audit work found that management had not provided sufficient evidence to demonstrate that that assets had not been materially misstated as a result of these issues. Management subsequently performed a detailed exercise to reconsider the valuation of these assets at the balance sheet date. This involved the use of indices, which is not an approach set out in CIPFA's Code of Practice on Local Authority Accounting for 2018/19. Management concluded that these assets were understated by <b>over £40.3 million</b> and have amended the financial statements accordingly. We appointed our own valuation expert to review the work that the Council performed which has resulted in a number of queries and challenges for management on the approach they adopted. Most of these queries have now been addressed but some are still being worked through. In addition, we are in ongoing discussions with management in respect of the disclosures that have been made in the financial statements for this prior period adjustment.</p> <p>As part our work, we also challenged management over the valuation of the Council's Greatmoor Energy from Waste facility. This asset was last revalued in July 2016 and the Council was not initially able to demonstrate that its fair value at 31 March 2019 was not materially different to its carrying value. The Council has subsequently obtained a revaluation of the asset at 31 March 2019 from its external valuers. This shows that the value of the asset was understated by £9.4 million. The Council have amended the financial statements to recognise this increased valuation.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>3</b> Property, plant and equipment - valuation of land and buildings (rolling revaluation)</p>	<p><b>Auditor commentary</b></p> <p><u>Investment properties</u></p> <p>The Council revalues its investment properties on an annual basis, which is in line with the CIPFA Code. However, they were valued at 31 December 2018 and so there is a risk that the carrying value of these assets are materially different to their fair value at 31 March 2019. We appointed own valuation expert to consider the risk of a material misstatement arising in the valuation of investment properties because they were valued three months prior to the balance sheet date. Our expert estimated that investment properties were overstated by <b>£7.3 million</b> at 31 March 2019 and we have shared this finding with the Council. Management are of the view that this understatement is not material and so have not amended the financial statements. We are satisfied that there is not a risk of material error as a result of this issue and so have included it as an unadjusted misstatement within Appendix C.</p> <p>Our audit work has identified weaknesses in the Council's approach to valuing its property, plant and equipment. In particular, management initially gave insufficient attention to the risk of material misstatements arising because the fair value of assets at the balance sheet date could be different to their carrying value. Management have since taken action to address this risk, which has resulted in material adjustments to the financial statements, but it has been time consuming and the completion of the audit has been delayed as a consequence. Our observation during the audit is that the Council has lacked sufficient capacity to respond promptly and adequately to audit queries. This is an area of weakness which the Council needs to address as part of the production of future financial statements. A recommendation has been included in the Action Plan in Appendix A in respect of this.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>4</b> Valuation of the pension fund net liability</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that your pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out your pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• requested assurances on the controls in place for Buckinghamshire Pension Fund surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> <p>Our work in respect of this risk is complete. One of the key issues that has arisen during the audit is in respect of the McCloud judgement. The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £9,361k at 31 March 2019.</p> <p>Management have decided to amend the financial statements to recognise this increased liability. We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p>

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

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### Valuation of the pension fund net liability

### Auditor commentary

A second issue that has arisen is in respect of and equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females. In March 2016, in order to ensure a smooth transition to the new single-tier State Pension and equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females, the Government introduced an 'interim solution' in respect of those members of public service schemes who reach State Pension age (SPA) between 6 April 2016 and 5 December 2018, whereby the GMP earned by these members in public service received full inflationary increases from public service pension schemes. In January 2018, the Government decided to extend this interim solution for a further 2 years, i.e. to members who reach their SPA between 6 December 2018 and April 2021

Our understanding is that Barnett Waddingham have allowed for the interim solution to 5 December 2018 in their IAS 19 valuation and have included an allowance for potential allowances post 2021. We have obtained a view from our internal actuary, who has confirmed that:

- the interim solution should be allowed for until April 2021
- it is not appropriate to allow for potential allowances post 2021 at this stage as the liabilities have not yet been triggered.

Our estimate of the impact of this is as follows:

- there is an understatement in respect of the 28 month period from 5 December 2018 to 6 April 2021. We estimate that this would be approximately a 0.05% understatement of the gross liability
- there is an overstatement in respect of post 2021 allowances. We estimate that this would be approximately 0.2% of the gross liability

The net impact is an overstatement of 0.15% of the gross liability, which we estimate to be £2,352k

Management agree with the approach that their actuary has taken and are of the view that the impact of this issue is not material to the Council. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an uncertainty within Appendix C.

Other than the matters reported above, we have not identified any issues in respect of the valuation of the pension fund net liability.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Auditor view
<p>1 The Council identified an immaterial error in the prior year statements in respect of the Movement in Reserves Statement. This error should have been corrected within the 2018/19 financial statements but was corrected through an adjustment to opening balances.</p>	<p>We are satisfied that this is not indicative of a material error in the financial statements. However, the Council should ensure that they put processes in place to correctly account for all transactions that affect the Movement in Reserves Statement. This recommendation has been included in the Action Plan at Appendix A.</p>
<p>2 Our testing found that there were 144 assets for which depreciation had been calculated manually. Testing found that for each of these assets the useful expected life (UEL) of the asset was incorrect by 1 year, which resulted in an incorrect depreciation charge.</p>	<p>The cumulative impact of this error was trivial, but it does identify a weakness in the Council's controls. The Council should ensure that manually depreciated assets are depreciated using the correct UEL by putting controls in place to ensure that the depreciation charge and UELs are checked before the charge is entered into the ledger. This recommendation has been included in the Action Plan at Appendix A.</p>
<p>3 Note 29 discloses transactions in respect of the Better Care Fund (BCF). This note discloses expenditure incurred in respect of the BCF by district councils of £3,231k. The Council has passed these funds on to the district councils but does not have any controls in place to ensure that the district councils have used these funds for the BCF.</p>	<p>The Council should put arrangements in place which enables them to obtain assurance from the district councils that funding provided in respect of the BCF has been used for that purpose. This recommendation has been included in the Action Plan at Appendix A.</p>

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit comments	Assessment
<b>Valuation of land and buildings</b>	<p>The Council owns a variety of land and buildings, which were initially valued at £823 million at 31 March 2019. Following further work by the Council this valuation has since increased to £870 million. In addition, the Council has investment properties valued at £193 million. The Council values its land and buildings at existing in use value, except for those which are of a specialised nature, such as schools, which are required to be valued at depreciated replacement cost. Investment properties are valued at highest and best use. The Council has engaged Carter Jonas to value its land and buildings and Cushman and Wakefield to value its investment properties. The Council requests the valuers to revalue all land and buildings over a five year period, while all investment properties are revalued annually.</p>	<p>Our work has not identified any issues in respect of the objectivity, capability or competence of the valuers engaged by the Council.</p> <p>Our testing in respect of the completeness and accuracy of source data provided to the valuer by the Council has not identified any risks of material misstatement.</p> <p>As noted earlier in our report, the Council has recently revisited the valuation of its other land and buildings and has concluded that a material adjustment to the financial statements is required to ensure that the carrying value of these assets is not materially different to their fair value. This exercise was required because the Council revalues its property, plant and equipment on a rolling basis over a five-year period. This is a reasonable approach but it increases the risk that, over time, a material difference arises between the fair value of the assets and their carrying value. We have appointed our own valuation expert to review the work that the Council has performed which has resulted in several queries and challenges for management on the approach they adopted. Most of these queries have now been addressed but some are still being worked through. In addition, we are in ongoing discussions with management in respect of the disclosures that have been made in the financial statements for this prior period adjustment.</p> <p>As part our work, we challenged management over the valuation of the Council's Greatmoor Energy from Waste facility. This asset was last revalued in July 2016 and the Council was not initially able to demonstrate that its fair value at 31 March 2019 was not materially different to its carrying value. The Council has subsequently obtained a revaluation of the asset at 31 March 2019 from its external valuers. This shows that the value of the asset was understated by <b>£9.4 million</b>. The Council have amended the financial statements to recognise this increased valuation.</p> <p>The Council revalues its investment properties on an annual basis, which is in line with the CIPFA Code. However, they were valued at 31 December 2018 and so there is a risk that the carrying value of these assets are materially different to their fair value at 31 March 2019. We appointed own valuation expert to consider the risk of a material misstatement arising in the valuation of investment properties because they were valued three months prior to the balance sheet date. Our expert estimated that investment properties were overstated by <b>£7.3 million</b> at 31 March 2019 and we have shared this finding with the Council. Management are of the view that this understatement is not material and so have not amended the financial statements. We are satisfied that there is not a risk of material error as a result of this issue and have included it as an unadjusted misstatement within Appendix C.</p>	

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit comments	Assessment																		
<b>Net pension liability – £753m</b>	<p>The Council's net pension liability at 31 March 2019 is £753m (PY £783m) comprising the Council's share of the net liabilities of the Buckinghamshire County Council Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has reduced by £30m during 2018/19, prior to the adjustments referred to in the 'Significant findings – audit risks' section of our report being made.</p>	<ul style="list-style-type: none"> <li>The Council has used Barnett Waddingham as their actuary and so we gained an understanding of their competence, capabilities and objectivity in providing the valuations required by the Council in respect of the pension fund net liability at 31 March 2019</li> <li>We have reviewed the assumptions made by the actuary when estimating the pension fund net liability to confirm their reasonableness. We made use of PwC, as an auditor's expert, to obtain assurance in this area. A summary of the work performed is in the table below.</li> </ul> <table border="1" data-bbox="869 587 1787 1050"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.6 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.6 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have undertaken procedures to confirm the reasonableness of the Council's share of Buckinghamshire County Council Pension Fund's assets and did not identify any issues.</li> <li>Subject to the issues reported separately in respect of the McCloud judgement and GMP equalisation, we are satisfied that the Council's key judgements and estimates in respect of the pension fund net liability are reasonable.</li> </ul>	Assumption	Actuary Value	Assessment	Discount rate	2.4%	●	Pension increase rate	2.4%	●	Salary growth	3.9%	●	Life expectancy – Males currently aged 45 / 65	24.6 years	●	Life expectancy – Females currently aged 45 / 65	26.6 years	●	<p style="text-align: center;">● <b>Green</b></p>
Assumption	Actuary Value	Assessment																			
Discount rate	2.4%	●																			
Pension increase rate	2.4%	●																			
Salary growth	3.9%	●																			
Life expectancy – Males currently aged 45 / 65	24.6 years	●																			
Life expectancy – Females currently aged 45 / 65	26.6 years	●																			

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 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

Your management have assessed that the establishment of the new unitary authority, Buckinghamshire Council, on 1st April 2020 does not alter your going concern assumption for Buckinghamshire County Council. In making this assessment management have had regard to paragraphs 2.1.2.6 and 3.4.2.23 of the CIPFA Code of Practice on Local Authority Accounting 2018/19, which state that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Management’s assessment that the Council remains a going concern is also based on the Council having a balanced budget in place for 2019/20, which will be the final year of its existence. The Council have also prepared a medium term financial plan for the period up to 2022/23. This plan has been prepared so that the new council begins with the best possible understanding of its future challenges and opportunities.

### Work performed and auditor commentary

We agree with management’s assessment that the establishment of the new unitary authority on 1st April 2020 does not alter your going concern assumption for Buckinghamshire County Council.

We have reviewed the Council’s budget for 2019/20 and its medium term financial plan. This work has not identified any issues which would require us to challenge management’s assessment that the council is a going concern.

We have not identified a material uncertainty related to going concern. However, the ‘General Notes to the Statement of Accounts’ (Assumptions made about the Future and Other Major Sources of Estimation Uncertainty) have been amended to include additional disclosure in respect of the establishment of the unitary council. We will include an ‘emphasis of matter’ in our audit opinion in respect of this disclosure because of its significance. This ‘emphasis of matter’ is not a qualification of the opinion.

## Concluding comments

### Auditor commentary

We have concluded that management’s assessment that the Council remains a going concern is reasonable and there are no material uncertainties that we need to report. We will include an ‘emphasis of matter’ in respect of the establishment of the unitary council in our audit opinion.

# 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. We have not been made aware of any 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>Adjustments made in respect of related parties are detailed further in Appendix C</li> <li>We are not aware of any related parties or 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 letter of representation will be requested from the Council, which is included at Appendix F. This is a draft letter and further changes may be made to it. We are not requesting that the letter be signed until close to the completion of the audit</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 to third parties with whom the Council has cash, loans and investments. All required confirmation requests were received.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review identified a number of disclosures that needed to be added to the financial statements. These are set out in more detail in Appendix C.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
① <b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect</p>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers 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 other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
③ <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 of we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet been completed.</p>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of Buckinghamshire County Council in the audit opinion, as detailed in Appendix E.</p>

# Value for Money

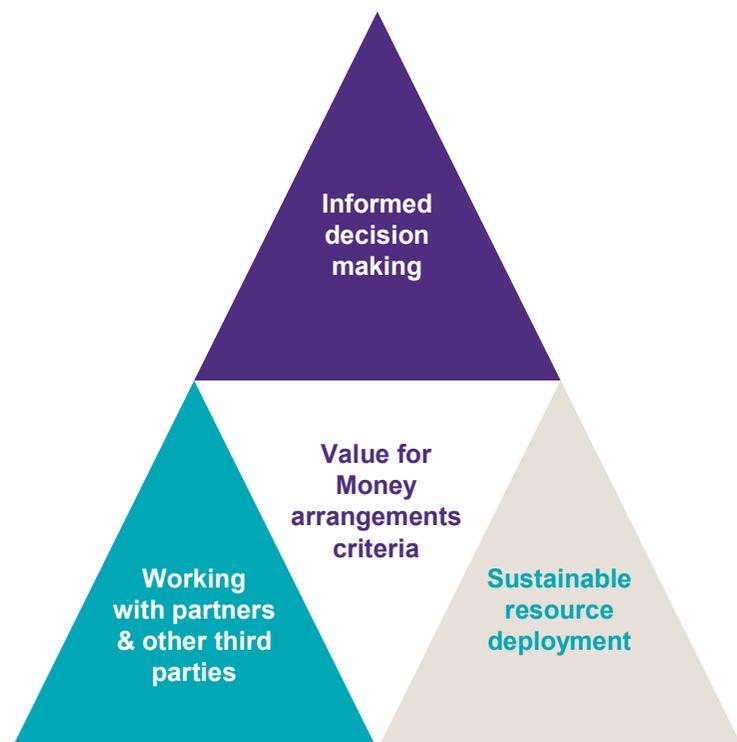
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its 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. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. 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."*

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



## Risk assessment

We carried out an initial risk assessment in October 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 March 2019.

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 the Council's arrangements. In arriving at our conclusion, one of our key areas of focus has been 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 services for children in need of help and protection, children looked after and care leavers. Ofsted rated the services as 'inadequate', which was the same rating given by Ofsted following their previous inspection in 2014. Since the date of that re-inspection, Ofsted have performed two further monitoring visits in July 2018 and December 2018. In reaching our conclusion, we have had regard to Ofsted's January 2018 re-inspection report and the two reports they issued following their monitoring visits. These form the principal evidence base for our conclusion.

We have concluded that the outcomes of Ofsted's re-inspection of children's services and their further monitoring visits are 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
- planning, organising and developing the workforce effectively to deliver strategic priorities.

The basis of our conclusion is set out in more detail in the 'Key findings' section below. This section also reports the results of our work on other significant risks, which have not resulted in a qualification of the value for money conclusion.

## Overall conclusion

Based on the work we performed to address the significant risks, except for the matter we identified in respect of children's services, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore propose to give an 'except for' conclusion, which is a qualified conclusion.

## 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 risk assessment.

Significant risk	Findings and conclusion
<p><b>1</b> <b>Ofsted inspection of children's services</b></p> <ul style="list-style-type: none"> <li>Ofsted issued a report on your children's services in January 2018 which gave you a rating of 'inadequate'.</li> <li>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.</li> </ul>	<p><b>Findings</b></p> <p>Ofsted undertook a re-inspection of your services for children in need of help and protection in November 2017. Their report, published in January 2018, concluded:</p> <p><i>“Overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 has been inconsistent and too slow. The strategic response to change has been piecemeal and has not successfully achieved the required wholesale improvements to services for vulnerable children. Consequently, at this inspection inspectors found serious shortfalls in some parts of the service, which led to services for children in need of help and protection and for children looked after being judged inadequate”.</i></p> <p>Ofsted did note some areas of improvement since the previous inspection, with adoption performance receiving a rating of 'good', while Ofsted also commented that children are a top priority for the Council and that significant financial investment has been made in services for children and their families.</p> <p>As a result of the outcome of the re-inspection, 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 children's services. John Coughlan, the Chief Executive of Hampshire County Council, was appointed as the commissioner to undertake this review. On 12 July 2018, it was announced that the Department for Education had considered and accepted 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 advisers to support your children's improvement programme.</p> <p>Members and senior officer have accepted the shortfalls identified by Ofsted and have acted swiftly to start addressing them. Prior to the inspection, the Council appointed a new director of children's services and cabinet member. Since then, the Council has made significant changes in the senior management structure of children's services and made a significant financial investment in the services. As a result, the Council now believes that children's services have sufficient funding and resources to tackle the issues identified by Ofsted. The Council has also restructured its Improvement Board arrangements for providing oversight and challenge of the improvement plan.</p> <p>Ofsted's first post-inspection monitoring visit was undertaken on 3 and 4 July 2018 and focused on children in need. They reported positively in respect of the following:</p> <ul style="list-style-type: none"> <li>from a very low base, the council is making some early progress in improving services for children and young people who are the subject of a child in need plan</li> <li>senior leaders have a clear and well-informed understanding of the significant weaknesses in the quality of work with children in need</li> </ul>

## Key findings

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

1	Significant risk	Findings and conclusion
	<b>Ofsted inspection of children's services</b>	<ul style="list-style-type: none"> <li>• plans to improve practice are credible and well devised</li> <li>• senior managers are strongly committed to moving forward at a realistic pace and are determined to achieve rapid and sustainable improvements in children's circumstances and outcomes</li> <li>• social workers reported an awareness of a developing learning culture and most said that they feel supported and 'heard' through the process of change.</li> <li>• senior managers have recently undertaken a widespread review of children subject to child in need plans to ensure that children are receiving support at the appropriate level of intervention. In most cases reviewed by inspectors, children were receiving the right level of help based on their needs.</li> </ul> <p>However, Ofsted also noted that further progress was still needed, as follows:</p> <ul style="list-style-type: none"> <li>• improvements are in their infancy. There is much more to do before the substantial number of children who are subject to child in need plans all receive support which is effective in helping them to overcome the neglect and poor parenting they experience in their day-to-day lives</li> <li>• caseloads are too high, which limits the time that social workers have available to spend working directly with children and their families. This, in turn, reduces their ability to build trusting relationships with families that will provide the basis for challenge, support and positive change</li> <li>• the quality and impact of management oversight and supervision are too variable: managers do not consistently support and assist social workers to evaluate and build an improved understanding of the needs of children. This reduces the progress that children make. Frequent changes of managers in some parts of the service have further impeded improvements</li> <li>• senior managers are introducing a learning and reflective approach as an integral part of case auditing and quality assurance. While this is a positive new initiative, it is too soon to identify what impact it is having on supervision and practice.</li> </ul> <p>Ofsted's second post-inspection monitoring visit was undertaken on 11 and 12 December 2018 and focused on progress made in respect of the arrangements for supporting children in need of protection. They reported positively in respect of the following:</p> <ul style="list-style-type: none"> <li>• leaders have continued to respond purposefully to the critical weaknesses in services for children in need of help and protection</li> <li>• the senior leadership team continues to maintain a clear focus on how best to improve children's services and have the political support to deliver this. They have an accurate understanding of the extent of the challenge and a realistic improvement plan in place to address this. They are focusing attention on the things that matter most and recognise that their greatest challenge is to stabilise the workforce.</li> </ul>

## Key findings

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

	Significant risk	Findings and conclusion
1	<b>Ofsted inspection of children's services</b>	<p>However, Ofsted also noted that further progress was still needed, as follows:</p> <ul style="list-style-type: none"> <li>• leaders' work to tackle quality, performance and capability issues has resulted in a high turnover of staff, in social worker and managerial positions. This has created considerable shortfalls in capacity in some parts of the service, leading to high caseloads. Some children's cases are allocated to managers, and the children are visited by duty social workers, while waiting allocation to a social worker. This makes it difficult for children to build meaningful relationships with social workers</li> <li>• work to strengthen the quality of practice and ensure greater compliance with basic practice standards is beginning to show some early signs of improvement in some parts of the service. There remains too much variability in the quality of assessment, planning and intervention. The impact of this is that some children do not receive the help, protection and support they need.</li> </ul> <p><b><u>Conclusion</u></b></p> <p>The Council is working hard to address the issues raised by Ofsted in its 2018 re-inspection report. The two further monitoring visits performed by Ofsted in 2018 provide evidence that progress is being made, but there is still work to be done.</p> <p>Ofsted's 'inadequate' rating of children's services remains in place and there is not sufficient evidence from Ofsted's two further monitoring visits that the issues raised in their re-inspection report have been fully addressed.</p> <p>We have therefore concluded that the Council does not have adequate arrangements for achieving economy, efficiency and effectiveness in relation to children's services.</p>

## Key findings

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

Significant risk	Findings and conclusion
<p><b>2 Transformation of adult social care services</b></p> <ul style="list-style-type: none"> <li>You are currently transforming the way that adult social care is delivered in Buckinghamshire through greater health and social care integration and the implementation of your “Better Lives” strategy</li> <li>We have reviewed progress made in implementing the changes to your arrangements.</li> </ul>	<p><b><u>Findings</u></b></p> <p>In April 2018, the Council launched its ‘Better Lives Strategy’ which aims to help people:</p> <ul style="list-style-type: none"> <li>live independently</li> <li>regain control of their independence</li> <li>live with support but as independently as possible.</li> </ul> <p>The Council has developed a Project Management Office function to provide the operational capacity to deliver the strategy. A Programme Plan has also been prepared, which sets out actions for each of the areas of the programme along with a clear timeline for their implementation. To provide oversight over the implementation of the transformation programme, the Council has formed an Adult Social Care Programme Board to meet on a monthly basis provide the overarching governance and decision-making framework for the programme. The Programme Board has a clearly defined remit, which includes providing robust challenge and scrutiny over all elements of the programme, resolving conflicts between the programme and business as usual, and ensuring co-ordination with the delivery 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 the Health and Adult Social Care Select Committee. To support the Transformation Programme, the Council have developed a dashboard aligned to the Quality, Service Improvement Redesign (QSIR) principles that they have implemented across the Council. QSIR has a focus on service improvement and is delivered to a range of health and social care staff. The dashboard includes indicators, which evidence the short and medium-term impact of the programme and is updated and presented at monthly and quarterly meetings to develop a deep understanding of performance, challenges and remedial actions. The transformation programme is well underway, with evidence of service users and staff being consulted on proposed changes to service delivery arrangements. The Council has also performed well against its target for admissions of older people (65+) into residential and nursing care per 100,000 of population during 2018/19.</p> <p><b><u>Conclusion</u></b></p> <p>The Council has been able to demonstrate that it is making progress in respect of its transformation of adult social care services. We have concluded that the risk has been mitigated and so there is no need for us to consider qualifying our value for money conclusion in respect of the transformation of adult social care services.</p>

## Key findings

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

Significant risk	Findings and conclusion
<p><b>3</b> <b>Funding pressures</b></p> <ul style="list-style-type: none"> <li>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 savings of sufficient scale to maintain a balanced budget over the period covered by the Medium Term Financial Plan</li> <li>We have reviewed recent performance against the budget and considered the reasonableness of the assumptions upon which the Medium Term Financial Plan is based.</li> </ul>	<p><b>Findings</b></p> <p>A new, unitary council for Buckinghamshire is due to begin formal operation on 1st April 2020. Whilst the current County Council will cease to exist in its current form from 1st April 2020, you are still making plans for 4 years so that the new council begins with the best possible understanding of its future challenges and opportunities. The budget that was prepared by the Council and approved in February 2019 is a four-year budget covering 2019/20 to 2022/23. The four-year budget shows a balanced position throughout this period. However, the scale of the financial challenges faced over the medium term remains challenging. The Council's Revenue Support Grant has now reduced to zero (compared to £41m in 2015/16). The Council has performed well so far in making savings in response to continuing reductions in central government funding. However, delivering additional savings in future will be a continuing challenge.</p> <p>Council Tax has increased by 2.99% for the County in 2019/20, with a 0% Social Care Precept. There is also an increase in the Council Tax base of 1.28%, which means that Council Tax income will increase by 4.27% between 2018/19 and 2019/20. The Council has lost all top-up grant for 2019/20, which means a loss of income of £27.5m compared to the prior year. However, the increased income from retained business rates provides an additional £32m of income compared to the prior year. Overall, income has increased by £18m from the prior year, which is an increase of 5.3%. The Council's spending plans have increased in line with the rise in its income and the savings it plans to make. The assumptions made in respect of savings plans appear to be prudent. The Children's Social Care budget has increased by 17% from the prior year, while the planned use of reserves has increased by £9m from the prior year (£5m of the increase will come from earmarked reserves and £4m from non-earmarked reserves).</p> <p>The Council recorded an underspend of £0.2m against its revenue budget in 2018/19. There has continued to be strong pressures on the demand-led budgets for children's social care and health and wellbeing, which overspent. However, the Council were able to make savings in other areas, such as corporate costs, planning and environment and treasury management and capital financing, as well as generating additional funding, in order to deliver the overall underspend.</p> <p>As a result of the outturn position, the General Fund balance stands at £26.4m as at 31 March 2019, which represents 7.4% of the Council's net budget for 2019/20. This is not a significant level of reserves compared to historic reserves, but the Council's view that they should be sufficient to enable them to withstand any demand-led shocks within the period of its medium-term financial plan is reasonable.</p> <p><b>Conclusion</b></p> <p>The Council has delivered a balanced budget in 2018/19 and has a medium term financial plan which shows a balanced financial position until 2022/23, though significant challenges remain in respect of demand-led services such as children's services and adult social care. We have concluded that the risk has been mitigated and so there is no need for us to consider qualifying our value for money conclusion in respect of your funding pressures.</p>

## Key findings

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

Significant risk	Findings and conclusion
<p><b>4</b> <b>Creation of a unitary authority in Buckinghamshire</b></p> <ul style="list-style-type: none"> <li>In April 2020, your services and those of the four Buckinghamshire district councils are due to transfer to a new unitary authority. You are working closely with your district council colleagues to prepare for this transition.</li> <li>We have reviewed your programme, planning and risk management arrangements that you have put in place to prepare for this transition.</li> </ul>	<p><b><u>Findings</u></b></p> <p>The Council has been developing detailed programme planning arrangements to manage the transition to the new council in conjunction with the district councils. This planning work was underway in 2018/19 and a Shadow Authority has since been established, which will undertake specific functions associated with the creation of the new council, including setting a 2020/21 budget and council tax for the new council. Three interim officer posts have been created under the Shadow Authority (Head of Paid Service, Chief Finance Officer and Monitoring Officer), which have now been filled. A Shadow Executive was also created at the same time as the Shadow Authority, consisting of the Leader of the County Council, eight members nominated by the County Council and two members nominated by each of the four District Councils. The Shadow Authority and Shadow Executive will be replaced by the cabinet and council for the new council following the planned elections in May 2020.</p> <p>Beneath the Shadow Executive is the Chief Executives' Implementation Group, and then Boards covering the following service areas:</p> <ul style="list-style-type: none"> <li>Resources</li> <li>Communities</li> <li>Housing, Growth and Economy</li> <li>Adults' Transformation</li> <li>Children's Transformation</li> </ul> <p>A programme management office has been established and officers have been appointed to it from across the county and district councils. Work is underway on the supporting processes for the programme, including management of the implementation budget and risk management processes. Some of the initial high-level programme risks that have been identified include:</p> <ul style="list-style-type: none"> <li>recruitment and retention of key staff</li> <li>capacity across the five councils</li> <li>staff focus and/or motivation and morale during transition period</li> <li>engagement and communication with partners and key stakeholder</li> <li>failure to understand full statutory/non-statutory responsibilities of merging authorities.</li> </ul> <p><b><u>Conclusion</u></b></p> <p>The transfer to the new council is at an early stage, but you have been able to demonstrate progress in key areas. We have not identified any issues which would result in us needing to consider whether we should qualify our value for money conclusion in respect of the creation of a unitary authority in Buckinghamshire.</p>

# Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 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	Fees	Threats	Safeguards
<b>Audit related</b>			
Teachers Pensions certification (in respect of 2017/18)	£7,500	Self-Interest (because this is a recurring fee) Self-review Management	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 £66,066 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 perceived self-review threat is mitigated by the fact that the work is performed after the audit is completed. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return.
Teachers Pensions certification (in respect of 2018/19)	£7,500	Self-Interest (because this is a recurring fee) Self-review Management	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 £66,066 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 perceived self-review threat is mitigated by the fact that we have already performed sufficient work in respect of teachers pension entries in the financial statements as part of our audit. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return. Please note that the fee for this work is not disclosed in Note 27 to the financial statements ('External audit costs') as the Council did not accrue for this item of expenditure.
Education and Skills Funding Agency certification (in respect of 2017/18)	£4,000	Self-Interest (because this is a recurring fee) Self-review Management	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 £66,066 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 perceived self-review threat is mitigated by the fact that the work is performed after the audit is completed. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return.

# Independence and ethics

## 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	Fees	Threats	Safeguards
<b>Non-audit related</b>			
Adult Social Care Insights (ASCI) platform	£0	Self-Interest Management	<p>ASCI is a platform that brings together diverse and disparate data sets for adult social care, allowing the user to analyse the data to gain insights about their service. It enables users to understand current performance, compare performance with other similar local authorities and understand historical performance and therefore trends. The platform is designed so that local authorities understand their adult social care service better, including what factors drive demand, costs and outcomes.</p> <p>The Council was part of the advisory panel for the new platform and so were provided with free access for the first year to reflect their input in helping to develop it. We are not involved in the Council's decision making process and provide no advice around the outputs from the tool. The Council will make its own decisions about how to deliver adult social care services using output from the tool as only part of that process. We are therefore satisfied that the perceived self-interest and management threats have been mitigated to an acceptable level and that there is no impact on our audit.</p>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Regulatory and Audit Committee. None of the services provided are subject to contingent fees.

# Action plan

We have identified five recommendations for the Council 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 2019/20 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 	<ul style="list-style-type: none"> <li>As a result of challenges made during the audit, further work was needed by management and its external valuers in respect of the valuation of property, plant and equipment.</li> </ul>	<ul style="list-style-type: none"> <li>Management should:               <ul style="list-style-type: none"> <li>revisit its strategy for revaluing property, plant and equipment, which should involve reconsidering the intervals at which assets are revalued and the dates at which valuations are performed and considering whether different approaches are needed for different classes of assets</li> <li>consider approaches taken by other local authorities to this issue and identify good practice which would be suitable for application by Buckinghamshire County Council</li> <li>review the finance team's capacity to address the valuation issues identified and to respond promptly and adequately to future audit queries.</li> </ul> </li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The council is already reviewing its strategy for revaluing PPE with its external valuers. This will include revaluing all assets over a certain value on an annual basis and also looking at the valuation date.</li> </ul>
2 	<ul style="list-style-type: none"> <li>Our testing identified several journals which were not authorised in line with the Council's procedures prior to them being posted (see page 6). The risk is that erroneous journals are posted which results in material misstatement of the Council's financial statements</li> </ul>	<ul style="list-style-type: none"> <li>Management should reissue clear guidance to all officers that post journals which sets out the Council's journal authorisation procedures. Management should then monitor application of these procedures and take appropriate action if individual officers do not act in accordance with them.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Journals guidance to be re issued to all users, reiterating the importance of the approval process and the need to adhere to this.</li> <li>Journals monthly monitoring to ensure a focus on journals approvals. Follow ups and escalation to line management and Heads of Finance to happen if the approval process has not been followed.</li> </ul>
3 	<ul style="list-style-type: none"> <li>The Council identified an immaterial error in the prior year statements in respect of the Movement in Reserves Statement. This error should have been corrected within the 2018/19 financial statements but was corrected through an adjustment to opening balances (see page 11).</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure that they put processes in place to correctly account for all transactions that affect the Movement in Reserves Statement.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Journals that effect the Movement in Reserves Statement to be reviewed and approved by the Technical Accountant in advance of processing, to ensure the correct accounting treatment is being applied</li> </ul>

#### Controls

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

# Action plan

We have identified five recommendations for the Council 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 2019/20 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
4	 <ul style="list-style-type: none"> <li>Our testing found that there were 144 assets for which depreciation had been calculated manually. Testing found that for each of these assets the useful expected life (UEL) of the asset was incorrect by 1 year, which resulted in an incorrect depreciation charge (see page 11).</li> </ul>	<ul style="list-style-type: none"> <li>Management should ensure that manually depreciated assets are depreciated using the correct UEL by putting controls in place to ensure that the depreciation charge and UELs are checked before the charge is entered into the ledger</li> <li><b>Management response</b></li> <li>Before any manual depreciation is entered into SAP a full review will be carried out by the Technical Accountant to ensure the correct useful life has been applied.</li> </ul>
5	 <ul style="list-style-type: none"> <li>Note 29 discloses transactions in respect of the Better Care Fund (BCF). This note discloses expenditure incurred in respect of the BCF by district councils of £3,231k. The Council has passed these funds on to the district councils but does not have any controls in place to ensure that the district councils have used these funds for the BCF (see page 11).</li> </ul>	<ul style="list-style-type: none"> <li>The Council should put arrangements in place which enables them to obtain assurance from the district councils that funding provided in respect of the BCF has been used for that purpose.</li> <li><b>Management response</b></li> <li>We will communicate with the District Councils to detail out the information requirements in relation to the Better Care Funding spending. We will add follow up tasks in to our closing timetable to ensure this information is requested at the end of the year.</li> </ul>

## 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 issues in the audit of Buckinghamshire County Council's 2017/18 financial statements, which resulted in 3 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note that management have explained why they are not addressing one of them.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓ Though you prepared and approved your draft 2017/18 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 2018. This was 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.	The 2018/19 statement of accounts was published in advance of 31 May 2019. The period for the exercise of public rights commenced at 9am on 31 May 2019 and covered the first 10 working days of June.
2	X 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 instability and financial misstatements. In our Audit Plan dated 31 May 2018, we reported 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.	We recommended that the "SAP_ALL" profile be reserved for use within an emergency or firefighter type ID that can be locked when not in use, as most day to day administrative activities do not require such wide ranging access as provided by "SAP_ALL".  Management have responded that the "SAP_ALL" profile is used for upgrades which require full access to the system. This ensures that when upgrades take place there is no stopping and starting due to authorisations.
3	✓ 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 have confirmed that the user type has now been changed to system user and the password deactivated, and that it will only be set to dialog user when it is needed for an upgrade.

#### 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

Set out below are the misstatements identified during our work to date for which management have agreed to adjust the financial statements. We have not included adjustments in respect of the property, plant and equipment valuation exercise that management has performed as our work on this is currently underway.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000
1 Funds held on behalf of the LEP of £13.8m are now recorded on the balance sheet as a liability, rather than as one of the Council's usable reserves	0	13,800	0
2 The draft financial statements reported short term investments of £12,070k and available for sale assets of £11,919k, totalling £23,989k. This total figure of £23,989k was overstated by £12,000k. The financial statements have been adjusted accordingly, with the resulting balance of £11,989k being classified as short term investments. £11,919k of these short term investments were mistakenly classified as available for sale financial assets in the draft financial statements. This category no longer exists following the implementation of IFRS9.	0	12,000	0
3 The draft financial statements reported short term borrowing of £47,945k. This figure was overstated and the financial statements have been adjusted to report short term borrowing of £35,945k	0	12,000	0
4 The financial statements have been adjusted to recognise an increase in the valuation of the Greatmoor waste to energy facility at 31 March 2019 (further detail is available in the 'Significant findings – audit risks' section of the report)	0	9,413	0
5 The financial statements have been adjusted to recognise the increased pension liability arising from the McCloud judgement (further detail is available in the 'Significant findings – audit risks' section of the report)	0	9,361	0
6 The short term creditors figure included a balance of £5,882k in respect of a debt owed to Milton Keynes Council. £3,921k of this sum is not due to be paid within 12 months of 31 March 2019 and so has been reclassified as a long term creditor	0	3,921	0

# Audit Adjustments

## Misclassification and disclosure changes

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

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'Assumptions made about the Future and Other Major Sources of Estimation Uncertainty' is to be expanded to disclose the creation of a unitary council in Buckinghamshire, which is a significant future event. We will include an emphasis of matter in our audit report in respect of this item	✓
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'General Accounting Principles' is to be expanded to reflect the implementation of IFRS15	✓
Disclosure	n/a	General Notes to the Statement of Accounts	The section of the note on 'Critical Judgements in Applying Accounting Policies' includes a disclosure in respect of schools non-current assets. This is to be expanded to make clear what the critical judgement is, rather than simply what the accounting policy is	✓
Disclosure	135,907	Movement in Reserves Statement	Usable reserves at 31 March 2019 are to be amended because the previous figure did not agree to the usable reserves figure on the balance sheet	✓
Disclosure	919	Cash Flow Statement	In the draft financial statements cash and cash equivalents at the end of the reporting period was reported as £4,179k in the cash flow statement, which did not agree to the cash and cash equivalents figure on the balance sheet of £919k. The cash flow statement is to be revised to record cash and cash equivalents at the end of the reporting period of £919k	✓
Disclosure	Various	Cash Flow Statement	The current year figures for cash receipts of short and long term borrowing and repayments of short and long term borrowing were mistakenly copied from the prior year figures. They are to be adjusted to correct this error	✓
Disclosure	Various	Note 1 – Expenditure and Funding Analysis	The reconciliation at the foot of the table is to be expanded to include the full general fund balance, including earmarked reserves	✓

# Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	428,699	Note 7 - Taxation and Grant Income	The note is to be amended in respect of 'Grants held centrally' as the figure which was reported in the draft financial statements did not agree to the Comprehensive Income and Expenditure Statement	✓
Disclosure	Various	Note 10 – Related parties	Disclosures were made in respect of transactions with several organisations in which the Council has an interest. These disclosures have been removed from the note because the Council does not have significant influence over these organisations, as defined in the CIPFA Code of Practice. The deleted disclosures were in respect of transactions with Buckinghamshire Learning Trust, Adventure Learning Charity, Buckinghamshire County Museum Trust, Buckinghamshire Business First, Buckinghamshire Thames Valley Local Enterprise Partnership, Youth Offending Service, Trading Standards, HR and Legal Shared Service Arrangement, England's Economic Heartland and East West Rail Consortium	✓
Disclosure	Various	Note 13 - Pension Schemes Accounted for as Defined Contributions Schemes	The note is to be expanded to disclose the contributions paid into the Teachers Pension Scheme for 2018/19 and the expected contributions to be paid into the scheme for 2019/20	✓
Disclosure	n/a	Note 14 - Defined Benefit Pension Schemes	The disclosure in respect of the salary increase assumption is to be amended from 3.9% to "salaries are assumed to increase at 2.4% per annum until 31 March 2020 and 3.9% per annum thereafter"	✓
Disclosure	33,300	Note 14 - Defined Benefit Pension Schemes	In the 'Other defined benefit plan information' section of the note, the expected pension contributions for 2019/20 are to be amended downwards from £36m to £33.3m	✓
Disclosure	104,775	Note 15 – Property, plant and equipment	The note includes a revaluations table which discloses vehicles, plant and equipment of £107,690k being carried at historical cost. This figure includes £104,775k in respect of the Greatmoor Energy from Waste facility which is valued at depreciated replacement cost, rather than being carried at historical cost. The note is to be amended accordingly.	✓
Disclosure	Various	Note 19 – Investment Property	The note discloses a fair value hierarchy. The category of 'Residential property' within the hierarchy is to be changed to 'Agricultural estate' to better reflect the nature of the property held. The fair value of this category of property is also to be amended from £38.6m to £43.1m. The fair value of the 'Commercial units' is to be amended from £154.4m to £149.9m. The total fair value of the investment properties remains unamended at £193m.	✓

# Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	Various	Note 19 – Investment Property	The note has been amended to disclose that investment properties were valued by Cushman & Wakefield rather than by Carter Jonas	✓
Disclosure	Various	Note 21 – Financial Instruments	There is to be additional disclosure of how financial instruments have been reclassified and remeasured following the implementation of IFRS9	✓
Disclosure	11,989	Note 21 – Financial Instruments	Investments of £11,989k were classified as 'financial asset at amortised cost' in the draft financial statements but are now to be classified as 'fair value through profit and loss'	✓
Disclosure	12,208	Note 21 – Financial Instruments	The long term loan and receivable in respect of Adult Social Care re-provisioning of £12,208k is to be removed from this note as it does not meet the definition of a financial instrument	✓
Disclosure	Various	Note 21 – Financial Instruments	The note is to be expanded to disclose the valuation techniques and inputs used in fair value measurements. This disclosure was not made for those at level 2 in the fair value hierarchy, which are material	✓
Classification	28,748	Note 21 – Financial Instruments	Fee expense of £28,748k was mistakenly classified as 'Financial Assets: Loans and Receivables' in the draft financial statements. It is to be re-classified as 'Financial Liabilities measured at amortised cost'	✓
Disclosure	11,989	Note 21 – Financial Instruments	The note is to be expanded to include greater disclosure in respect of the nature of the short term investments held by the Council	✓
Disclosure	Various	Note 21 – Financial Instruments	The note is to be expanded to include disclosures in respect of the fair values of financial assets and financial liabilities that are not measured at fair value (but for which fair value disclosures are required). These disclosures were included in the 2017/18 financial statements but were mistakenly omitted from the draft 2018/19 financial statements	✓
Disclosure	20,091	Note 21 – Financial Instruments	The note discloses a 'Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value' table. The loans/borrowings figure in this table is to be increased by £20,091k so that it correctly includes the Council's temporary loans	✓

# Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment ?
Disclosure	Various	Note 21 – Financial Instruments	The CIPFA Code requires that for each class of financial assets and financial liabilities the fair value of that class of assets and liabilities should be disclosed in a way that permits it to be compared with its carrying amount. This disclosure is to be added to the final financial statements	✓
Disclosure	35,437	Note 29 – Pooled Budgets (Better Care Fund)	<p>The note is to be amended to disclose:</p> <ul style="list-style-type: none"> <li>the value of expenditure incurred on the Better Care Fund by the Council, Buckinghamshire CCG and the district councils, rather than the value of expenditure incurred on the Fund as a whole</li> <li>contributions to the Better Care Fund of £3,658k by the Council and £3,321k by the district councils, which were originally all classified as Council contributions</li> <li>that the contribution to the Better Care Fund of £28,140k was from Buckinghamshire CCG, rather than from Aylesbury Vale CCG</li> <li>how the pooled budget operates in practice.</li> </ul>	✓
Classification	8,251	Note 29 – Pooled Budgets (Integrated Mental Health Provision for Adults of Working Age Agreement)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by Oxford Health NHS FT	✓
Disclosure	7,089	Note 29 – Pooled Budgets (Children and Adolescence Mental Health Services)	<p>The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council</p> <p>The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG</p>	✓
Disclosure	8,299	Note 29 – Pooled Budgets (Community Equipment Loan Service)	<p>The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council</p> <p>The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG</p>	✓

# Audit Adjustments

Adjustment type	Value (£'000)	Account balance / Note	Impact on the financial statements	Agreed adjustment?
Disclosure	15,409	Note 29 – Pooled Budgets (Section 117 Aftercare)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council  The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Aylesbury Vale CCG	✓
Disclosure	3,764	Note 29 – Pooled Budgets (Integrated Therapies Contract)	The expenditure line in the note is to be amended to disclose that all expenditure on the pooled budget is met by the Council  The income line in the note is to be amended to disclose that the contribution came from Buckinghamshire CCG, rather than Chiltern CCG	✓
Disclosure	2,880	Note 29 – Pooled Budgets (Integrated Mental Health Provision for Older People Agreement)	The note is to be amended to disclose that £784k of the expenditure was incurred by the Council and £2,096k by Oxford Health NHS FT	✓
Disclosure	2,179	Note 29 – Pooled Budgets (Residential Respite Short Breaks Pooled Fund)	The note is to be amended to disclose that the Council incurred expenditure of £2,179k, which was funded by a contribution of £1,642k from the Council and a contribution of £537k from Buckinghamshire CCG	✓
Disclosure	Various	Note 30 – Leases	'The Council as Lessee - Finance Leases' section of the note is to be amended because the current and prior year figures were misstated. The 'Finance Lease Net Book Value' for 31 March 2018 are to be amended from £9,591k to £6,397k and for 31 March 2019 from £6,397k to £10,248k	✓
Disclosure	n/a	Note 31 – Prior Period Adjustment	The note is to be amended to clarify that it is the unfunded benefits that are the subject of the prior period adjustment, rather than all contributions into the Teachers Pension Scheme	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 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	Balance sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
1 Overstatement of the valuation of investment properties	7,310	0	Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue.
2 Overstatement of the pension fund net liability in respect of the impact of equalisation of Guaranteed Minimum Pension (GMP) benefits between males and females. The net impact is an overstatement of 0.15% of the gross liability, which we estimate to be £2,352k	2,352	0	Management agree with the approach that their actuary has taken and are of the view that the impact of this issue is not material to the Council. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability

## Appendix D

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services. Please note the final fee is still subject to approval by PSAA

## Audit Fees

	Scale fee	Proposed Final fee
Council Audit	£66,066	£92,066
<b>Total audit fees (excluding VAT)</b>	<b>£66,066</b>	<b>£92,066</b>

Required additional audit work	Description of work required	Additional fee
PPE – use of a valuation expert	As set out in the ‘Significant findings – audit risks’ section of this report, we appointed our own valuation expert to consider the further work performed by the Council in respect of PPE valuation	£13,000
PPE – additional work	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of PPE. Accordingly, we have increased the level of scope and coverage to reflect this	£4,000
Assessing the impact of the McCloud ruling	The Government’s transitional arrangements for pensions were ruled discriminatory by the Court of Appeal in December 2018. The Supreme Court refused the Government’s application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted the need for more in depth work by audit firms in respect of IAS 19. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year	£3,000
Revisions to the financial statements	As set out in the ‘Headlines’ section of this report, the process of agreeing all required amendments to the financial statements has been time consuming. To date, we have received thirteen sets of draft financial statements for review	£3,000
<b>Total additional audit fees (excluding VAT)</b>		<b>£26,000</b>

# Fees (continued)

## Non Audit Fees

Fees for other services	Fees
<b>Audit related services:</b>	
• Teachers Pensions certification (in respect of 2017/18)	£7,500
• Teachers Pensions certification (in respect of 2018/19)	£7,500
• Education and Skills Funding Agency certification (in respect of 2017/18)	£4,000
	<b>£19,000</b>

# Draft Audit opinion

We anticipate we will provide the Council with a modified audit report

## 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 2019 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 statement, which include significant accounting policies. The notes to the financial statements are those included on pages 21 to 25 and pages 32 to 93 of the Statement of Accounts. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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 & 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 & 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.

### Emphasis of matter – Local Government Reorganisation

We draw attention to the disclosures made in the note 'Assumptions made about the Future and Other Major Sources of Estimation Uncertainty' concerning local government reorganisation in Buckinghamshire. As stated in this note, a new council called Buckinghamshire Council will replace the Authority and the other existing local councils in Buckinghamshire in April 2020. The Authority's assets, liabilities, services and functions will transfer to the new Buckinghamshire Council on 1 April 2020. Our opinion is not modified in respect of this matter.

### Other information

The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. 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 audit 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.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Draft Audit opinion (continued)

## 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the Director of Finance & 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 & Procurement. The Director of Finance & 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & 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 & 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Regulatory and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## 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](http://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

### Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report we are satisfied that, in all significant respects Buckinghamshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Basis for qualified conclusion

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

In January 2018, Ofsted issued a report on the re-inspection of services for children in need of help and protection, children looked after and care leavers. Ofsted rated the services as 'inadequate', which was the same rating as issued in 2014. Ofsted concluded that overall progress in improving services for children in Buckinghamshire since the last inspection in 2014 had been inconsistent and too slow, that the strategic response to change had been piecemeal and had not successfully achieved the required wholesale improvements to services for vulnerable children and that there were serious shortfalls in some parts of the service. Ofsted performed two further monitoring visits in July 2018 and December 2018 and subsequently issued letters to the Authority recognising that improvements in the service were beginning to be made but that further progress was needed if the issues raised in their 2018 report were to be fully addressed.

Having considered the findings and conclusions of Ofsted's inspections and monitoring visits, together with the results of our audit work, we have concluded that there are weaknesses in the Authority's arrangements for delivering services for children in need of help and protection, children looked after and care leavers.

These matters are 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
- planning, organising and developing the workforce effectively to deliver strategic priorities.

### 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.

# Draft Audit opinion (continued)

## **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 2019.

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 are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 2019. 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 2019.

## **Use of our report**

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.

Iain Murray, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

[Date]

# Management Letter of Representation

Grant Thornton UK LLP  
110 Bishopsgate  
London  
EC2N 4AY

[Date]

Dear Sirs

**Buckinghamshire County Council**  
**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Buckinghamshire County Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. 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.
- iii. 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 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.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii. 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.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. 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.
- xv. The prior period adjustments disclosed in Note 31 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

**Information Provided**

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.

# Management Letter of Representation

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

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

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. 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.

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

xxv. 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

xxvii. 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

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

## Approval

The approval of this letter of representation was minuted by the Council's Regulatory and Audit Committee at its meeting on [DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



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