



Audit and Governance Committee agenda

Date: Wednesday 29 September 2021

Time: 10.00 am

Venue: The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF

Membership:

R Newcombe (Chairman), D Anthony, R Carington, A Christensen, L Clarke OBE (Vice-Chairman), T Dixon, M Dormer, C Etholen, D Goss, M Hussain, S Rouse and N Thomas

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	To resolve that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.	
11	21/22 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report	125 - 188
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For further information please contact: Charlie Griffin democracy@buckinghamshire.gov.uk



Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Wednesday 28 July 2021 in The Oculus, Buckinghamshire Council, Gatehouse Road, HP19 8FF - Aylesbury, commencing at 9.30 am and concluding at 12.04 pm.

Members present

R Newcombe, R Carington, A Christensen, T Dixon, M Dormer, D Goss and M Hussain

Apologies

D Anthony, L Clarke OBE, C Etholen, S Rouse and N Thomas

Agenda Item

1 Minutes

Resolved:

To approve as a correct record the minutes of the meeting held on 22 June 2021.

2 Declarations of Interest

None.

3 Action log

Members received an update on actions.

Action 1: Public Sector Audit Appointment (PSAA) had now confirmed fees relating to the former Buckinghamshire County Council (BCC) but had not yet confirmed the fees in relation to the four legacy district councils. The Section 151 Officer was awaiting PSAA to review the reasons for disputing the fees, and would be contacted

by the PSAA in due course.

Resolved:

That the action log be noted.

4 Buckinghamshire Council External Audit Update

Members received the external audit plan for 2020/ 21 (main accounts and pension fund) and fees. Iain Murray, key audit partner (Grant Thornton), was in attendance to speak to the reports. Appendices 1 – 3 contained the Buckinghamshire Council audit plan, auditor's fee letter and Buckinghamshire Council pension fund audit plan respectively. The following key points were highlighted:

- The auditor had identified seven significant risks standard to local authorities, which included but was not limited to, revenue and expenditure recognition.
- The auditors look at various matters to do with the council's accounts including but not limited to, key judgements made by management, key estimates and assumptions for example, relating to land and property, to assess whether these are reasonable estimates and assumptions.
- Work needed to be done around the opening position as this was the first year of the unitary authority.
- In response to a question as to how confident the auditors were in achieving the September audit deadline next year, members were advised that there was the desire to move back to a 'normal' timetable but there were uncertainties given the pandemic.
- It was asked that, when looking at the valuation of investment properties risk, were underlying political risks relating to the environment bill and agricultural bill considered. It was reported that this could be considered, although from an inherent risk perspective there was more uncertainty around the commercial and industrial element than the agricultural element at present.
- In response to a question on comparing materiality with other local authorities, it was noted that this was one of the initial considerations as a starting point. The auditors assessed the council's individual circumstances. It was noted that there was a degree of the unknown, as the auditor was familiar with the former Buckinghamshire County Council (BCC) accounts but not the former legacy district council accounts. It was also noted that materiality was not fixed.
- In response to a question as to how the auditors tested how management made accounting estimates, members were advised that key questions were

asked of management and their responses were assessed. Mr Murray confirmed that an Audit Findings Report would be brought back to committee in November.

- Pension fund audit plan risks were identified similar to the Buckinghamshire Council audit plan risks, for similar reasons.
- This pension fund audit had started and progressed well. It was hoped that this audit would be complete in a few weeks' time.
- It was reported that local authorities were reviewing their investment strategies, and asked what impact did that have on the pension fund audit. It was noted that this had no impact, as investment decisions were not reviewed.
- It was noted that the Pension Fund Committee was specifically dedicated to looking closely at pension fund matters, and that Audit and Governance Committee members could review minutes of the Pension Fund Committee meetings, and feedback any comments to this committee.
- In relation to the fee letter received, it was noted that the estimated scale fee for Buckinghamshire Council's 2020/ 2021 audit was £300,000. This fee would need to be approved by the PSAA. The Section 151 Officer reported that this fee reflected the proposed fees to other local authorities of a similar size, and took into account the new government requirements placed on auditors. Additional funding was expected from government to help with value for money requirements, and for the auditors to produce an annual report.

Resolved to note:

- (i) the Audit plan for the main accounts (appendix 1) summarised in paragraphs 1.3 to 1.5.
- (ii) the Auditors fees letter (appendix 2) and Proposed fees for both the Council and Pension Fund accounts as summarised in paragraphs 1.8 to 1.10.
- (iii) the Audit plan for the Pension Fund accounts (appendix 3) summarised in paragraphs 1.6 to 1.7.

5 Update on external audit actions

Members received an update on external audit actions. Table 1 summarised action taken on external audit recommendations relating to legacy BCC accounts 2019/ 2020. Table 2 summarised action taken on external audit recommendations relating to the pension fund accounts 2019/ 2020. The following key points were highlighted:

- The Annual Governance Statement recommendation (table 1) was expected to be considered in preparing the statement (November 2021). All other actions had been taken forward and progressed.
- Members were advised that action dates needed to be added so that Grant Thornton could review progress against recommendations and actions. It was suggested that the Section 151 Officer report back to committee in November, and include any new recommendations. **Action (Charlie Griffin):** to add the item 'update on external audit actions' to the work programme for November.
- In relation to the Bank Reconciliation – Reconciling items action, it was reported that a huge amount of work to match open transactions had been completed since becoming a unitary council and all transactions prior to 2020 had been cleared. Work on recent transactions continued.
- In relation to the IAS19 – Milton Keynes action, members were advised that both councils were working closely to improve the data collection process.
- Regarding the Pooled Budgets action, it was noted that the Clinical Commissioning Group (CCG) account would not reconcile due to different accounting treatments. A report was being prepared for the council's audit indicating the reporting differences. The council and CCG finance teams would have monthly conversations going forward to avoid financial discrepancies between statements.

Resolved to note:

(i) the Table 1 in paragraph 1.3 summaries the action taken on external audit recommendations for the legacy County Council Accounts.

(ii) the Table 2 in paragraph 1.4 summaries the action taken on external audit recommendations for the Pension Fund Accounts.

6 Treasury Management Annual Report 2020/ 2021

Members received a report on last year's treasury management activity, and were advised that the council's treasury management strategy was approved by the Shadow Authority 27 February 2020. It was noted that the council had held higher cash balances than usual due to the pandemic.

Resolved:

to note the Treasury Management Annual Report for 2020/21.

7 2021/ 22 IT Audit Needs Assessment (including IT Audit Plan)

Members received the proposed IT Audit Plan that was based on the IT Audit Needs Assessment undertaken by Mazar, who provide specialist resource to Business Assurance. Martin Baird from Mazars was in attendance to speak to the report.

- Mazars had been working with the council for two years and had a good knowledge of the council's IT.
- An IT audit assessment had been undertaken which enabled the IT internal audit work to focus on the areas of the Council that were of most importance and areas of high risk within the IT environment.
- The proposed IT audit plan was for a two year period.
- Over the past 18 months, there had been a bigger focus on technology risks. For this current financial year, the focus was cyber security. A cyber security review was due to be undertaken in the coming weeks. This review included change and patch management work which had an impact on cyber security, as well as a number of improvements and projects that were being undertaken by IT to reduce reliance on data centres. The review work would support the council's planning and response work in relation to cyber-attacks.

It was suggested that an update on this review be received by committee members in November. **Action (Charlie Griffin):** to add 'IT audit plan update' to the work programme (November).

- A further review would be undertaken specifically on team infrastructure resilience.
- In response to a question as to why Data Centres/ Cloud Controls were not due for review until 2022/ 2023 given that this was high risk, it was noted that elements of this risk work would be incorporated into reviews in the nearer future. This work also included data centres in cloud, and the review in 2023 would focus less on data centres and more on migration to a cloud first approach and impact of that approach on the council.
- It was noted that work to migrate to the cloud was ongoing, and that this work was on track.

Resolved:

To note the report.

8 Risk Management Group update

Members received an update on the Risk Management Group (RMG) meeting held

12 July 2021. The group received a demonstration of the council's risk management software before considering the Planning, Growth and Sustainability risk register. Officers from the planning service were in attendance, and took members through key risks and mitigating actions which were challenged by the group. The group also looked at risks that were closed or de-escalated and the reasons why.

Resolved:

To note the report.

9 Work programme

The items for the next meeting of the committee in September:

- Buckinghamshire Council Annual Report of the Chief Auditor 2020/ 2021.
- Business Assurance Update.
- Pensions accounts.
- Farnham Park accounts.
- Higginson Park Accounts.
- Risk Management Group update.
- Work programme.

Action (Charlie Griffin): to move the Buckinghamshire Council Statement of Accounts 2020/ 2021 and the Buckinghamshire Council Annual Governance Statement 2020/ 2021 items to November.

Resolved:

To note the work programme.

10 2021/ 22 Business Assurance Strategy Update (including Internal Audit Plan)

Members received the 2021/22 Business Assurance Strategy update, including progress against the Internal Audit Plan. The Internal Audit Plan 2021/ 2022 was at appendix 1. The following key points were highlighted:

- Work had been delayed due to the pandemic. A lot of audit activity took place in quarter 4 and completed audits and an audit actions summary was detailed in the confidential appendix to the report.
- Until May 2021, there had been a different covid-19 risk management process. Covid-19 cells had co-ordinated the council's response work to the

pandemic. Each covid-19 cell had their own risk register and were reporting to management team monthly. At present, a number of the risks were being managed through business as usual. Some covid-19 cells were still in operation, namely the vaccination and testing cells. Members were advised that cells could be stepped up again if needed.

- In relation to covid-19 grant work, it was reported that assurance activity of grants had taken place due to the volume of grants and different avenues by which they were received. There was a risk of overlap in activities so the team did a deep dive on grants to ensure funds were being utilised. Corporate Management Team received a monthly update on the team's covid-19 grant work, which highlighted key risks. Work was being done around post payment assurance and people that were paid that should not have been paid, and the council were reclaiming those payments.
- The Internal Audit Plan (appendix 1) was under constant review.
- It was asked what the direct payment scheme was, and members noted that direct payment is a scheme whereby residents in need of care are assessed and given money to spend on their care. However, in some cases the individual has deceased, and a family member continues to claim.
- It was reported that prosecutions were dealt with on a case by case basis, and work was undertaken in conjunction with the Legal Team.

Resolved:

To note the report and confidential appendix.

11 Contract Procedure Rules - Waivers & Breaches

Members received an update in relation to compliance with the council's Contract Procedure Rules (CPR's) and compliance with the Public Contracts Regulations 2015, covering the period 1 October 2020 - 30th March 2021. It was noted that the relevant service area/ directorate were responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The procurement team develop corporate policy, support high risk/value procurement exercises and provide training on procurement and contract management. The chairman congratulated the Strategic Procurement Team as they had been shortlisted for two awards.

Resolved:

to note the report and confidential appendix, and the work of the Strategic Procurement Team.

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Audit and Governance Committee action log

Last updated: 21 September 2021

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
1	2019/ 20 District Audit Fees Update Richard Ambrose to report back to committee the outcome of the discussions with the Public Sector Audit Appointment (PSAA) in relation to the 2019/20 district audit fee increases.	Richard Ambrose	24-Mar-21	29-Sep-21	Update 28-Jul: Public Sector Audit Appointment (PSAA) had now confirmed fees relating to the former Buckinghamshire County Council (BCC) but had not yet confirmed the fees in relation to the four legacy district councils. The Section 151 Officer was awaiting PSAA to review the reasons for disputing the fees, and would be contacted by the PSAA in due course.		Ongoing
2	Council action plan Iain Murray to update on process against the planned actions on the council action plan, to the June or July meeting of the Audit & Governance Committee.	Richard Ambrose	24-Mar-21	28-Jul-21	Update 22-Jun: update to be given to members at the July meeting of the committee.	28-Jul-21	Closed

Audit and Governance Committee completed actions

Last updated: 10 June 2020

No.	Action required	Contact officer	Date raised	Due date	Date resolved (grey when resolved)	Status
	<p>OUTCOME OF INSPECTION FROM THE INVESTIGATORY POWERS COMMISSIONER'S OFFICE (IPCO)</p> <p>That Officers be asked to implement the additional recommendations from the IPCO report.</p> <p>That an update on the use of the RIPA powers generally by the Council be reported to the Committee in March 2021</p>	Nick Graham Service Director Legal and Democratic Services	27-Jan-21	27/07/21 24/03/21	29-Sep-21	Completed
	<p>TREASURY MANAGEMENT STRATEGY</p> <p>To make the proposed amendments and recirculate the amended strategy to committee members for approval prior to full council.</p>	Richard Ambrose Service Director – Corporate Finance (S151)	Richard Ambrose	24-Mar-21	28-Jul-21	Completed
	<p>UPDATE ON SIGNING OF LEGACY ACCOUNTS</p> <p>To receive an update on fees from ernst and young</p>	Andrew Brittain Ernst & Young	27-Jan-21	24-Mar-21	24-Mar-21	Completed
	<p>FARNHAM PARK SPORTS FIELD CHARITY ANNUAL REPORT AND FINANCIAL STATEMENTS 2019/20</p> <p>Service Director – Corporate Finance be requested to inform the relevant Cabinet Member(s) of the Committee's concerns regarding the financial viability of the Charity.</p> <p>That a report on the Charity's financial viability, as discussed at the meeting, be submitted to the next Committee meeting in January 2021.</p>	Richard Ambrose Service Director – Corporate Finance (S151)	18-Nov-20	24-Mar-21	24-Mar-21	Completed



Audit and Governance Committee

Date:	29 September 2021
Title:	Full Council Motion – Climate Change Risk Management
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, 01296 387327, Maggie.Gibb@buckinghamshire.gov.uk
Ward(s) affected:	N/A
Recommendations:	To commission a report from the Head of Business Assurance (& Chief Auditor)
Reason for decision:	To provide a response to the Full Council Motion for the inclusion of climate change risks in all risk registers.

1. Executive summary

- 1.1 The following motion was tabled by Councillor Gemmell at the Full Council meeting on 15 September 2021:
- 1.2 *"The Council notes that the effects from Climate Change are widespread, rapid and intensifying and are affecting all areas of the Earth in multiple ways as stated by representatives of the IPCC on 9 August 2021. These rapid and intensifying effects are already affecting the UK and Buckinghamshire in multiple ways which will only get worse as the global temperature rapidly approaches, and likely surpasses, 1.5 degrees in the early 2030s. In recognition of the risks associated with such effects the Council proposes that all risk registers for the council, all departments within the council and in all associated bodies over which the council has influence should be updated to include "climate risk" or "risk from climate change".*
- 1.3 The Council voted to refer the motion to the Audit and Governance Committee.

2. Content of report

- 2.1 Given the short timeframe between the Full Council meeting and the subsequent Audit and Governance Committee it has not been possible to prepare a detailed response to the motion.
- 2.2 It is proposed that the Head of Business Assurance (& Chief Auditor) should lead on the preparation of a report on the substance that the motion seeks to address.
- 2.3 The report will include the current recording and reporting of climate change risks across the council, benchmarking against other local authorities and recommendations for the future development of climate change risk management.
- 2.4 It is proposed that an item be included on the agenda for the Audit and Governance Committee on 30 November 2021.
- 2.5 The proposer and seconder of the motion will be invited to attend the meeting.

3. Other options considered

- 3.1 N/A

4. Legal and financial implications

- 4.1 N/A

5. Corporate implications

- 5.1 N/A

6. Local councillors & community boards consultation & views

- 6.1 N/A

7. Communication, engagement & further consultation

- 7.1 N/A

8. Next steps and review

- 8.1 To present full report to the Audit and Governance Committee on 30 November 2021.

9. Background papers

9.1 None

10. Your questions and views (for key decisions)

10.1 None

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Report to Audit and Governance Committee

Date: 29th September 2021

Reference number: N/A

Title: Buckinghamshire Pension Fund Accounts 31st March 2021

Relevant councillor(s): N/A

Author and/or contact officer: Rachael Martinig, Pensions & Investments Accountant

Telephone (01296) 387883

Ward(s) affected: N/A

Recommendations: Members are requested to:-

1. Review the Buckinghamshire Pension Fund Statement of Accounts for the year ended 31 March 2021 (Appendix 1)
2. Consider and note the audit progress and findings report from Grant Thornton (Appendix 2).
3. Authorise the Service Director – Corporate Finance & Section 151 Officer, following consultation with the chairman, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

Executive summary

1. The Accounts and Audit Regulations 2015 require Local Authorities to prepare a Statement of Accounts in accordance with proper accounting practice and are required to be approved and signed by the Council's Audit & Governance.
2. Due to Covid-19, the statutory deadline for the completion and publication of the audited statement has been postponed to 30th September 2021.
3. The Pension Fund accounts are considered to be part of the Buckinghamshire Council Accounts. Due to the Buckinghamshire Council Accounts not being completed, the Pension Fund Accounts are unable to be officially signed, however as

mentioned above we are requesting Members to Authorise the Service Director – Corporate Finance & S151 Officer, following consultation with the Chair, to make any final amendments to the Accounts arising from outstanding audit work prior to the approval of the accounts by the auditor.

Content of report

- **Appendix 1 – Buckinghamshire Pension Fund Statement of Accounts**

The Pension Fund Account and Net Asset Statement show that in the year to 31st March 2021 the value of the Pension Fund increased by £725m to £3.638bn. This is the net result of the contributions made (£177m) including transfers in from other pension schemes, employers and employees contributions; payments out £140m including pensions, commutations, lump sum retirement benefit and death benefits; management expenses £18m plus net increase on investments (£706m).

- **Appendix 2 – Grant Thornton Annual Findings Report for Buckinghamshire Pension Fund**

Other options considered - N/A

Legal and financial implications – There are none arising directly from this report.

Corporate implications – There are none arising directly from this report.

Consultation and communication - N/A

Background papers - N/A

Your questions and views (for key decisions)

If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

Buckinghamshire Pension Fund

Statement of Accounts

For the year ended 31 March 2021

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director - Corporate Finance & Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts, delegated to the Audit and Governance Committee.

The Service Director – Corporate Finance & Section 151 Officer Responsibilities

The Service Director - Corporate Finance & Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/202 (the Code).

In preparing this Statement of Accounts, the Service Director - Corporate Finance & Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Service Director - Corporate Finance & Section 151 Officer

I certify that this Statement of Accounts for the year ended 31 March 2021 gives a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ending 31 March 2021

Richard Ambrose
Service Director - Corporate Finance & Section 151 Officer
Buckinghamshire Council
XX September 2021

Independent Auditor's Report to the Members of Buckinghamshire Pension Fund

Pension Fund Accounts

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

31 March 2020	Pension Fund Account	Note	31 March 2021
£000			£000
	Dealings with Members, Employers and Others directly Involved in the Fund		
	Income		
(116,621)	Contributions	3	(152,299)
(12,403)	Transfers in from other pension funds	4	(24,293)
(152)	Other income		(198)
(129,176)			(176,790)
	Benefits	5	
95,975	Pensions		100,311
23,045	Commutation of pensions and lump sums		20,969
	Payments to and on Account of Leavers	6	
878	Refunds of contributions		590
9,311	Transfers out to other pension funds		18,369
129,209			140,239
33	Net (Additions)/Withdrawals from Dealings with Members		(36,551)
16,474	Management expenses	7	18,371
16,507	Net (Additions)/Withdrawals including Fund Management Expenses		(18,180)
	Returns on Investments		
(40,527)	Investment income	8	(23,079)
116,993	Profits and losses on disposal of investments and changes in the market value of investments	9	(683,306)
351	Taxes on income	16	0
76,817	Net Returns on Investments		(706,385)
93,324	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(724,565)

Net assets statement

31 March 2020	Net Assets Statement	Note	31 March 2021
£000			£000
	Investments		
840	Long term investments		840
36,849	Equities - quoted		25,638
421,714	Bonds		480,116
2,160,297	Pooled investment vehicles		2,858,278
213,484	Unit trusts - property		213,051
61,856	Cash deposits		43,662
	Derivative contracts		0
7,873	Investment income receivable		7,124
2,902,913	Net Investments	11	3,628,709
15,495	Current assets	15	17,620
(4,708)	Current liabilities	15	(8,064)
2,913,700	Net Assets of the Fund Available to Fund Benefits at 31 March		3,638,265

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Note 1 - Description of the Fund

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

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

[Local Government Pension Scheme | Buckinghamshire Council](#)

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In 2015 the government announced that they wanted the 91 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs. Brunel Pension Partnership Ltd was formed to implement the investment strategies for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. The company Brunel Pension Partnership Ltd was formed on 14 October 2016. By 31 March 2021 the collective assets transitioned to Brunel portfolios were circa £17.9 billion.

The objective of pooling assets is to achieve savings over the longer term from both lower investment management costs and more effective management of the investment assets. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce. Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. The pooling of assets will only affect the implementation of the investment strategy in terms of manager appointments. The transition of assets began in July 2018 and by the end of 2021 the majority of the assets will have transitioned, although illiquid alternative assets such as private equity may need a longer transition timetable. More information and updates can be found on the Brunel Pension Partnership website at: www.brunelpensionpartnership.org

The following summarises the membership of the Fund:

Membership of the Fund	31 March 2020	31 March 2021
Contributors	24,489	25,406
Pensioners	20,290	21,017
Deferred pensioners	29,936	30,881
Total Membership of the Fund	74,715	77,304

Investment strategy statement

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

[Investment strategy statement | Buckinghamshire Council \(buckscc.gov.uk\)](http://buckscc.gov.uk)

Further information

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

[Pension fund annual reports | Buckinghamshire Council \(buckscc.gov.uk\)](http://buckscc.gov.uk)

Basis of Preparation

The accounts summarise the Fund's transactions for the 2020/21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Note 2 - Accounting Policies and Critical Judgement in Applying Accounting Policies

Accounting Policies

Accruals of Income and Expenditure

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

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

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

Investment Income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis. Investment income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as investment income. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits Payable

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

Management Expenses

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

Financial Instruments

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

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

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

Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Net Asset Statement represents the outstanding principal received plus accrued interest. Interest credited is the amount receivable as per the loan agreement

The value of market quoted investments is determined by the bid market price ruling on the final day of the accounting period. Fixed interest securities are recorded at net market value based on their current yields. Pooled investments in property funds, equity funds, fixed interest funds, private equity funds and hedge fund of funds are valued by the Fund manager in accordance with industry guidelines. Note 12 includes commentary on the valuation methods that the Fund’s fund managers use.

Foreign Currency Transactions

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

Cash and Cash Equivalents

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

Contingent Assets & Liabilities and Commitments

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

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

Commitments are disclosed by way of a note when there is a contractual commitment which may require a payment. The timing of the payment is such that it would be inappropriate to make a provision. Commitments are accounted for at the best estimate of the obligation.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the code, the fund has opted to disclose the actuarial present value or promised retirement benefits by way of a note to the net assets statement (Note 18)

Critical Judgements in Applying Accounting Policies

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £129m A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m a one-year increase in assumed life expectancy would increase the liability by approximately £256m.
Private equity fund of funds (Note 12)	Private equity investments are valued at fair value in accordance with 'International Private Equity and Venture Capital Valuation Guidelines (2012)'. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £130m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by £34m.

Events After the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that required any adjustments to these accounts

Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Potentially relevant standards include annual improvements to IFRS standards 2014/2016, IFRIC 22 foreign currency transactions and advance considerations and amendments to IFRS9 financial instruments: prepayment features with negative compensation.

None of the accounting standards that have been issued but not yet adopted will have a significant impact on the financial statements.

Note 3 - Contributions

Contributions relating to wages and salaries paid up to 31 March 2021 have been included in these accounts, there were no augmented employers' contributions received during 2019/2020 or 2020/2021.

2019/2020 £000	Contributions by Category	2020/2021 £000
	Employers' Contributions	
(64,063)	Normal Contributions	(100,383)
(20,524)	Deficit Recovery Contributions	(17,121)
(84,587)	Total Employers' Contributions	(117,504)
(32,034)	Members' Contributions	(34,795)
(116,621)	Total Contributions	(152,299)

2019/2020 £000	Contributions by Authority	2020/2021 £000
(42,780)	Administering authority	(56,847)
(69,752)	Scheduled bodies	(91,855)
(4,089)	Admitted bodies	(3,597)
(116,621)	*Total Contributions	(152,299)

*Total contributions can fluctuate between years due to employers making advanced payments due to the slight discount they receive in doing so

Note 4 - Transfer Values

2019/2020 £000	Transfers in from other pension funds	2020/2021 £000
(2,059)	Group transfers	(1,898)
(10,344)	Individual transfers	(22,395)
(12,403)	Total Transfers in from other pension funds	(24,293)

The individual transfer values relate to transfers, which have been received during the financial year i.e. included on a cash basis. On 31 March 2021 there were 6 outstanding transfer values receivable greater than £50k, for which £763k had not been received. (On 31 March 2020 there were 7 outstanding transfer values receivable greater than £50k, for which £1,211k had not been received.)

On 31 March 2021 there were 2 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2020), the value of 1 of the transfers to the Fund is £1,095k and has been accrued. One of the transfers, calculations have not been carried out yet.

The above refer to payments into the Fund from other pension funds.

Note 5 - Benefits

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

2019/2020 £000	Benefits Payable by Category	2020/2021 £000
95,975	Pensions	100,311
20,532	Commutations of pensions and lump sum retirement benefits	18,220
2,513	Lump sum death benefits	2,749
119,020	Total Benefits	121,280

2019/2020 £000	Benefits Payable by Authority	2020/2021 £000
41,916	Administering authority	61,253
67,587	Scheduled bodies	50,560
9,517	Admitted bodies	9,467
119,020	Total Benefits	121,280

Note 6 - Payments to and on Account of Leavers

2019/2020 £000	Payments to and on Account of Leavers	2020/2021 £000
903	Refunds to members leaving service	597
(24)	Payments for members joining the state scheme	(7)
0	Group transfers to other pension funds	5,379
9,311	Individual transfers to other pension funds	12,990
10,190	Total Payments to and on Account of Leavers	18,959

The individual transfer value to other Pension Funds relate to transfers, which have been paid during the financial year i.e. included on a cash basis. On 31 March 2021 there was 1 outstanding transfer value that was greater than £50k, for which £78k had not yet been paid (on 31 March 2020 there were 7 outstanding transfer values receivable greater than £50k, for which £1,211k had not been received).

On 31 March 2021 there were 4 group transfers out from the Fund to other Pension Funds being negotiated (3 on the 31 March 2020), the value of 3 of the transfers to the Fund is £5,379k and has been accrued. 1 of the transfers, calculations have not been carried out yet.

The above refer to payments from the Fund into other pension funds.

Note 7 - Management Expenses

2019/2020	Management Expenses	2020/2021
£000		£000
2,203	Administrative costs	2,226
13,538	Investment management expenses	15,507
733	Oversight and governance costs	638
16,474	Total Management Expenses	18,371

The analysis of the cost of managing the Pension Fund during the period has been prepared in accordance with CIPFA guidance. Management expenses have been categorised as administrative costs, investment management expenses and oversight/governance costs. Included in the oversight and governance costs are the external audit fees, £38k in 2020/2021 (£19k in 2019/2020).

Management fees for pooled funds and transaction costs have been included in the investment management expenses. The investment management expenses include £0.28m (£0.89m in the 2019/2020 financial year) in respect of performance related fees payable to the Fund's investment managers. It also includes £4.734m in respect of transaction costs (£4.030m in the 2019/2020 financial year).

Note 8 - Investment Income

Investment income from equities has significantly decreased in 2020/21 following the transition of the Fund's segregated equity holdings to Brunel pooled funds, dividend income is accumulated within the fund and is accounted for in the market value change rather than investment income.

2019/2020	Investment Income	2020/2021
£000		£000
(15,072)	Dividends from equities	(1,258)
(16,137)	Income from bonds	(14,242)
(541)	Income from pooled investments	(536)
(7,262)	Income from property unit trusts	(5,549)
(770)	Interest on cash deposits	(1,352)
(744)	Other	(142)
(40,527)	Total Investment Income	(23,079)

Note 9 - Investments

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

During 2020/2021 realised profit of £103,918m and unrealised profit of £579,388m combined to report an increase in the market value of investments of £683,306m.

Investments (All values are shown £000)	Value at 31 March 2020 £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit/ (Loss) £000	Unrealised Profit/ (Loss) £000	Value at 31 March 2021 £000
Long term investments	840	0	0	0	0	840
Equities - quoted	36,850	158,309	(179,156)	5,535	4,100	25,638
Bonds	421,713	132,353	(94,973)	5,942	15,081	480,116
Pooled investment vehicles	2,160,298	265,473	(223,254)	63,999	591,762	2,858,278
Unit Trusts - property funds	213,484	5,880	(3,200)	27,014	(30,127)	213,051
Derivative contracts	0	1,035	(2,459)	1,424	0	0
Cash deposits	61,855	0	(16,916)	150	(1,428)	43,662
	2,895,040	563,195	(519,958)	103,918	579,388	3,621,585
Investment income due	7,873					7,124
	2,902,913					3,628,709

During 2019/2020 realised profit of £87,619m and unrealised losses of £204,613m combined to report a decrease in the market value of investments of £116,993m.

Investments (All values are shown £000)	Value at 31 March 2019 £000	Purchases at Cost £000	Sales Proceeds £000	Realised Profit/ (Loss) £000	Unrealised Profit/ (Loss) £000	Value at 31 March 2020 £000
Long term investments	840	0	0	0	0	840
Equities - quoted	573,933	347,507	(870,319)	22,920	(37,191)	36,850
Bonds	428,687	110,978	(110,343)	4,595	(12,204)	421,713
Pooled investment vehicles	1,690,849	737,308	(170,102)	58,630	(156,387)	2,160,298
Unit trusts - property funds	214,243	11,057	(6,381)	1,424	(6,859)	213,484
Derivative contracts	(34)	326	(376)	50	34	0
Cash deposits	80,693	0	(26,833)		7,995	61,855
	2,989,211	1,207,176	1,184,354	87,619	(204,613)	2,895,040
Investment income due	10,489					7,873
	2,999,700					2,902,913

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

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

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

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

Assets which exceed 5% of the total value of the net assets of the Fund are shown in the table below:

Fund Manager/Mandate	Proportion of Fund 31 March 2020 £000	%	Proportion of Fund 31 March 2021 £000	%
Investments managed by Brunel Pension Partnership Ltd				
Passive Global Developed Equities	725,922	25	841,815	23
Global High Alpha Equities	401,912	14	602,912	17
Property	-	-	222,602	6
Emerging Market Equities	123,402	4	197,734	6
	1,251,236	43	1,865,063	52
Investments managed by the Fund				
Legal & General Investment Management - Passive index-tracker	362,721	12	377,516	11
Royal London Asset Management	469,468	16	511,010	14
	832,189	28	888,526	25

Note 10 - Investment Management Arrangements

Fund manager fees have been calculated according to the specific mandate and the associated contract agreement as shown in the following table:

Fund Manager/Mandate	Proportion of Fund 31 March 2020 £000	%	Proportion of Fund 31 March 2021 £000	%
Investments managed by Brunel Pension Partnership Ltd				
Low Volatility Equities	110,593	4	159,691	4
Passive Developed Equities	725,922	25	841,815	23
Emerging Markets Equities	123,402	4	197,734	6
Global Equities	401,912	14	602,912	17
Infrastructure	11,451	0	43,783	1
Private Equity	14,105	1	22,444	1
Smaller Companies Equities	0	0	180,831	5
Property	0	0	222,602	6
Total Investments managed by Brunel Pension Partnership Ltd	1,387,385		2,271,812	
Investments managed by the Fund				
LaSalle - Property	222,898	8	1,114	0
BlackRock -Cash/inflation plus	135,425	5	160,110	4
Blackstone Alternative Asset Management - Hedge fund of funds	146,881	5	171,071	5
Investec Asset Management- Less constrained global equities	1,122	0	777	0
Legal & General Investment Management – Passive index-tracker	362,721	12	377,516	11
Mirabaud Investment Management Limited- UK equities	217	0	217	0
Pantheon Private Equity- Private equity	106,965	4	93,728	3
Partners Group- Private equity	21,042	1	13,177	0
Royal London Asset Management- Core plus bonds	469,468	16	511,010	14
Schroders- Less constrained global equities	3,180	0	2305	0
Aberdeen Standard Investments – Less constrained UK equities	964	0	134	0
GTP	908	0	698	0
Hg Capital	600	0	581	0
Total Investments managed by the Fund	1,472,391		1,332,438	
Total	2,859,776	100	3,604,250	100

Note 11 - Analysis of the Value of Investments

31 March 2020 £000	Analysis of the Value of Investments	31 March 2021 £000
840	Long Term Investments	840
	Bonds	
	Fixed Interest Securities	
0	Overseas public sector	5,992
286,003	UK other	307,521
73,474	Overseas other	73,455
359,477	Total Fixed Interest Securities	386,968
	Index-Linked Securities	
51,806	UK Index-linked securities public sector	85,851
10,431	UK Index-linked securities other	7,297
62,237	Total Index-Linked Securities	93,148
421,714	Total Bonds	480,116
	Equities	
129	UK quoted	150
36,720	Overseas quoted	25,488
36,849	Total Equities	25,638
	Pooled Investment Vehicles	
0	UK Equities	0
362,721	UK Bonds	377,516
1,361,829	Overseas Equities	1,982,983
135,421	Overseas Diversified Growth Fund (GBP)	160,106
146,881	Overseas Hedge Fund of Funds (GBP)	171,071
22,828	Overseas Infrastructure	44,837
130,617	Overseas Private Equities	121,765
2,160,297	Total Pooled Investment vehicles	2,858,278
	Other	
213,484	Unit Trusts - property funds	213,051
0	Derivatives	0
61,856	Cash deposits – sterling and foreign cash	43,662
7,873	Investment Income receivable	7,124
283,213	Total Other	263,837
2,902,913	Total Value of Investments	3,628,709

Note 12 - Financial Instruments

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

31 March 2020				31 March 2021		
Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost		Fair value through profit and loss	Financial Assets at Amortised Cost	Financial Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
840			Financial Assets	840		
			Long Term Investments			
359,477			Fixed Interest Securities	386,968		
36,849			Equities	25,638		
62,237			Index Linked Securities	93,149		
213,484			Property – unit trusts	213,051		
135,421			Diversified Growth Fund	160,106		
362,721			Pooled Fixed Interest Securities	377,516		
1,361,829			Pooled Equities	1,982,983		
			Pooled Investments			
22,828			Pooled Infrastructure	44,837		
146,881			Pooled Hedge Funds of Funds	171,071		
130,618			Pooled Private Equity	121,765		
7,873			Investment Income receivable	7,124		
	61,856		Cash deposits		43,662	
	5,182		Current assets		4,814	
2,841,057	67,038			3,585,048	48,476	
			Financial Liabilities			
			Derivatives			
		(3,721)	Current liabilities			(6,920)
		(3,721)				(6,920)
2,841,057	67,038	(3,721)	Total	3,585,048	48,476	(6,920)
		2,904,373				3,626,604

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

31 March 2020 £000	Reconciliation to Net Investments in the Net Assets Statement	31 March 2021 £000
2,913,700	Net Investments	3,628,709
(10,313)	Less contributions due current assets	(3,249)
986	Add HMRC current liabilities	1,144
2,904,373	Valuation of Financial Instruments carried at fair value	3,626,604

31 March 2020 £000		31 March 2021 £000
	Financial Assets	
116,993	Fair value through profit and loss	0
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
	Financial Liabilities	
0	Fair value through profit and loss	(683,306)
0	Loans and receivables	0
0	Financial liabilities measured at amortised cost	0
116,993	Total	(683,306)

The code requires that for each class of financial assets and financial liabilities an authority shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. As all investments are disclosed at fair value, carrying value and fair value are therefore the same.

Valuation of Financial Instruments Carried at Fair Value

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

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

Level 2: Financial instruments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Fixed interest securities are traded in an active market and evaluated prices sourced from a valid pricing vendor. The values of the hedge fund of funds are based on the net asset value provided by the Fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

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

Value at 31 March 2021	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £000
Long term investments	0	0	840	840
Equities	326	25,315	0	25,641
Bonds	0	480,116	0	480,116
Pooled Equities	0	1,982,983	0	1,982,983
Pooled Bonds	0	377,516	0	377,516
Diversified Growth Fund	0	160,106	0	160,106
Hedge Fund	0	171,071	0	171,071
Infrastructure	0	0	44,837	44,837
Private Equity	0	0	121,762	121,762
Property	0	213,026	25	213,051
Total	326	3,410,133	167,464	3,577,923

Cash is not included in the analysis of assets held at fair value since it is held at amortised cost, not fair value.

Reconciliation to Net Investments in the 31 March 2021 Net Assets Statement	£000
Net Investments	3,628,709
Less Cash deposits	(43,662)
Less investment income receivable	(7,124)
Valuation of Financial Instruments carried at fair value	3,577,923

Value at 31 March 2020	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Outputs Level 3 £000	Total £000
Long term investments	0	0	840	840
Equities	129	36,720	0	36,849
Bonds	0	421,714	0	421,714
Diversified Growth Fund	0	135,421	0	135,421
Hedge Fund	0	146,881	0	146,881
Infrastructure	0	0	22,828	22,828
Pooled Bonds	0	362,721	0	362,721
Pooled Equities	0	1,361,829	0	1,361,829
Private Equities	0	0	130,618	130,618
Property – unit trusts		213,484		213,484
Total	129	2,678,770	154,286	2,833,182

Reconciliation to Net Investments in the 31 March 2020 Net Assets Statement	£000
Net Investments	2,902,913
Less Cash deposits	(61,856)
Less investment income receivable	(7,873)
Valuation of Financial Instruments carried at fair value	2,833,182

Sensitivity Analysis of Assets Valued at Level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles - infrastructure	16.6%	44,837	52,280	37,394
Pooled investment vehicles – private equity	25.8%	121,765	153,180	90,350
Total		166,602	205,460	127,744

	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Pooled investment vehicles - infrastructure	16.4%	22,828	26,572	19,084
Pooled investment vehicles – private equity	26.4%	130,617	165,100	96,134
Total		153,445	191,672	115,218

Reconciliation of Fair Value Measurements Within Level 3

	Value at 31 March 2020 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2021 £000
Pooled investment vehicles – private equity	130,617	9,960	(28,234)	23,516	(14,094)	121,765
Pooled investment vehicles – infrastructure	22,828	49,499	(25,642)	103	(1,951)	44,837
Total	153,445	59,459	(53,876)	23,619	(16,045)	166,602

	Value at 31 March 2019 £000	Purchases £000	Sales £000	Realised profit/(loss) £000	Unrealised profit/loss £000	Value at 31 March 2020 £000
Pooled investment vehicles – private equity	135,939	15,974	(35,441)	28,443	(14,297)	130,617
Pooled investment vehicles – infrastructure	15,853	8,861	(2,974)	1,116	(27)	22,828
Total	151,792	24,834	(38,415)	29,559	(14,324)	153,445

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

Blackstone – Fund of Hedge Funds

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

Partners Group – Private Equity

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

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

LGIM – Passive Tracker Fund

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

Brunel – Global Equity, High Alpha Equity, Emerging Markets Equity, Low Volatility Equity and Smaller Companies Equity ACS Funds

Weekly prices each Wednesday valued at close of business valuation point. These values are then adjusted to allow for outstanding dividends, tax payable or recoverable and any relevant expenses (this creates "Mid Value").

Brunel – Private Equity

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principals (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3rd parties for appropriateness.

Brunel – Infrastructure

Brunel selects managers who apply a fair value process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounts Principals (US GAAP). Systematically Brunel ensures valuations are driven by IPEV guidelines and that this process is annually appraised by 3rd parties for appropriateness.

Brunel - Property

Brunel selects managers who apply either open market values or a fair value processes, open market values are in accordance with RICS valuation standards and fair value processes are driven by IPEV guidelines. Systematically Brunel ensure that both processes are annually appraised by 3rd parties for appropriateness.

Pantheon – Private Equity

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

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

These methods are consistently applied across all investment types.

BlackRock Institutional Jersey Dynamic Diversified Growth Fund

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

Note 13 - Additional Financial Risk Management Disclosures

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

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

Market Risk

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

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

Market Price Risk

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

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

Market Price - Sensitivity Analysis

Whilst the value of the Fund's assets is sensitive to changes in market conditions and the Fund's assets are diversified across fund managers and asset classes to mitigate the risks. The Fund's liability to pay future benefits is equally sensitive, particularly to interest rate changes. In consultation with Mercer, the Fund's investment consultant, the Fund has determined that the following movements in market price risk are reasonably possible for 2020/2021. Assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments does

increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	19.1%	1,000	680
Equities – quoted	25,638	19.1%	30,535	20,741
Bonds	480,116	4.94%	503,836	456,398
Pooled investment vehicles	2,858,278	16.49%	3,329,608	2,386,948
Property - unit trusts	213,051	16.6%	248,417	177,685
Cash deposits	43,662	1.0%	44,100	43,226
Investment income receivable	7,124	19.1%	8,485	5,763
Total	3,628,709		4,165,978	3,091,440

In consultation with Mercer, the Fund's investment consultant, the Fund determined that the following movements in market price risk were reasonably possible for 2020/2021, assuming that all other variables, in particular foreign exchange rates and interest rates, remain constant. If the market price of the Fund's investments did increase/decrease in line with the table below, the change in the market price of net assets available to pay benefits would be as follows.

Asset Type	31 March 2020 £000	Percentage Change %	Value on increase £000	Value on decrease £000
Long term investments	840	20.6	1,013	667
Equities – quoted	36,849	20.6	44,440	29,258
Bonds	421,714	4.84	442,117	401,311
Pooled investment vehicles	2,160,297	16.93	2,526,137	1,794,457
Property - unit trusts	213,484	15.6	246,788	180,180
Derivative contracts	0	12.2	0	0
Cash deposits	61,856	1.0	62,475	61,237
Investment income receivable	7,873	20.6	9,495	6,251
Total	2,902,913		3,332,465	2,473,361

Interest Rate Risk

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

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact income to the Fund and the fair value of the assets, both of which affect the value of the net assets available to pay benefits. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the impact of a 1% change, long term average interest rates are expected to move less than 1% from one year to the next. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

31 March 2021 Exposure to interest rate risk	Asset Value £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	46,548	46,548	46,548
Fixed interest bonds	386,968	390,838	383,098
Variable rate bonds	93,149	93,149	93,149
Total	526,665	530,535	522,795

31 March 2020 Exposure to interest rate risk	Asset Value £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	64,862	64,862	64,862
Fixed interest bonds	359,477	363,072	355,882
Variable rate bonds	62,237	62,237	62,237
Total	486,576	490,171	482,981

2020/2021 Exposure to interest rate risk	Interest receivable £000	Impact of 1% increase	Impact of 1% decrease
Cash and cash equivalents	1,352	1,366	1,338
Fixed interest bonds	8,676	8,763	8,589
Variable rate bonds	5,566	5,622	5,510
Total	15,594	15,751	15,437

2019/2020 Exposure to interest rate risk	Interest receivable £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	770	778	762
Fixed interest bonds	9,830	9,928	9,732
Variable rate bonds	6,307	6,370	6,244
Total	16,907	17,076	16,738

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

Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall. Over the long term the differences in currencies are likely to balance out and the Fund has chosen not to hedge its currencies.

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.92% movement in exchange rates in either direction for 31 March 2021. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.92% fluctuation in the currency is considered reasonable. A 7.92% weakening or strengthening of Sterling against the various currencies at 31 March 2021 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2021 £000	Value on increase £000	Value on decrease £000
		+7.92%	-7.92%
Equities – quoted	1,982,983	2,140,035	1,825,931
Infrastructure	44,837	48,388	41,286
Property - unit trusts	121,765	131,409	112,121
Cash deposits	43,662	47,121	40,205
Total	2,193,247	2,366,953	2,019,543

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 7.64% movement in exchange rates in either direction for 31 March 2020. This analysis assumes that all variables, in particular interest rates, remain constant. Based on the composition of the Fund's currency exposure a 7.64% fluctuation in the currency is considered reasonable. A 7.64% weakening or strengthening of Sterling against the various currencies at 31 March 2020 would have increased or decreased the net assets by the amount shown below.

Currency Exposure by Asset Type	31 March 2020 £000	Value on increase £000	Value on decrease £000
		+7.64%	-7.64%
Equities – quoted	1,276,253	1,373,759	1,178,747
Infrastructure	19,227	20,696	17,758
Pooled investment vehicles	130,617	140,596	120,638
Property - unit trusts	29	31	27
Cash deposits	43,923	47,279	40,567
Total	1,470,049	1,582,361	1,357,737

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

Currency Exposure by Significant Currency

The Fund's most significant currency exposures are to US Dollars and EUROS, using data on currency risk of 8.03% for the US Dollar and 6.77% for the EURO. Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2021 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2021 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	388,278	8.03%	419,457	357,099
EUROS	113,438	6.77%	121,118	105,758
Total	501,716		540,575	462,857

Weakening or strengthening of Sterling against US Dollars and EUROS at 31 March 2020 would have increased or decreased the net assets by the amounts shown in the following table.

Asset Type	31 March 2020 £000	Percentage Change %	Value on increase £000	Value on decrease £000
US Dollars	869,526	7.73	936,740	802,312
EUROS	196,309	6.72	209,501	183,117
Total	1,065,835		1,146,241	985,429

Credit Risk

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

A source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at Lloyds, which holds an "A+" long term credit rating. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Council's Treasury Management Strategy which sets out the permitted counterparties and limits. The value of the Fund invested by the Treasury Management Team at 31 March 2021 was £0.976m in an instant access Lloyds account and £2.000m invested in Federated's money market fund. (On 31 March 2020 £1.109m was invested in an instant access Lloyds account and £2.000m invested in Federated's money market fund.) Cash held by investment managers is invested with the global custodian, State Street, in a diversified money market fund rated AAAM.

Liquidity Risk

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

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

31 March 2020 £000		31 March 2021 £000
146,881	Blackstone	171,071
11,451	Brunel Infrastructure	43,783
14,105	Brunel Private Equity	22,444
0	Brunel Property	222,602
222,898	LaSalle	0
106,965	Pantheon Private Equity	93,728
21,042	Partners Group	13,177
600	Hg Capital	581
523,942		567,386

Note 14 - Related Parties

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

The Council was reimbursed £2.49m (£2.35m in the 2019/2020 year) for oversight & governance costs and administration costs incurred by the Council on behalf of the Pension Fund. The Council is also the single largest employer of members of the Pension Fund and contributed £56.8m to the Fund in 2020/2021 (£47.2m in the 2019/2020 year).

The Pension Fund's surplus cash held for day to day cash flow purposes is invested on the money markets by Buckinghamshire Council's treasury management team, through a service level agreement. During the year to 31 March 2021, the Fund had an average investment balance of £5.9m (£8.1m in the 2019/2020 year), earning interest of £11k (£53k in the 2019/2020 year).

Membership of the Local Government Pension Scheme (LGPS) for Councillors closed to new members on 31 March 2014. Councillors who were active members ceased to be a member at the next end of term of office. There are no members of the Pension Fund Committee who are a deferred member of the Fund. There are no members of the Pension Fund Committee who were pensioner members of the Fund on 31 March 2021 (on 31 March 2020 no pensioner members and one deferred member). The Service Director – Corporate Finance (s151 Officer), holds a key position in the financial management of the Fund and is an active member. He is an employee of Buckinghamshire Council for whom a portion of his costs of employment are re-charged to the Fund. Disclosure of his pay costs can be found within the officer remuneration note in the main Buckinghamshire Council accounts. Members of the Pension Fund Committee and the post of Head of Pensions are the key management personnel involved with the Pension Fund. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts.

The Pension Fund has transactions with Brunel Pension Partnership Ltd (Brunel) (Company number 10429110) which was formed on 14 October 2016 and will oversee the investment of pension fund assets for ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire. Each of the 10 organisations, including Buckinghamshire Council, own 10% of Brunel. During the year to 31 March 2021 Brunel provided services costing £1,179k (£1,144k in the year to 31 March 2020).

Note 15 - Current Assets and Liabilities

31 March 2020	Current Assets and Liabilities	31 March 2021
£000		£000
	Current Assets	
10,313	Contributions due from employers 31 March	12,806
3,006	Cash balances (not forming part of the investment assets)	2,885
2,176	Other current assets	1,929
15,495	Total Current Assets	17,620

	Current Liabilities	
(727)	Management charges	(146)
(986)	HM Revenue and Customs	(1,144)
(673)	Unpaid benefits	(440)
(2,322)	Other current liabilities	(6,334)
(4,708)	Total Current Liabilities	(8,064)
10,787	Net Current Assets	9,556

Note 16 - Taxes on Income

2019/2020	Taxes on Income	2020/2021
£000		£000
0	Withholding tax - fixed interest securities	0
351	Withholding tax - equities	0
351	Total Taxes on Income	0

The Fund retains the following taxation status:

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

Note 17 - Actuarial Position of the Fund

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended), the Fund's actuary, Barnett Waddingham LLP, undertakes a funding valuation every three years to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

On 31 March 2019, the market value of the assets held were £3,007.020m, sufficient to cover 94% of the accrued liabilities assessed on an ongoing basis. All employers are projected to be fully funded by no later than 31 March 2035. The primary rate of contribution is the employers' share of the cost of benefits accruing in each of the three years beginning 1 April 2020 and is 18.2% of payroll. In addition, each employer pays a secondary contribution rate based on their particular circumstances, the secondary contribution rate across the whole Fund averages 3.9% in 2020/2021, 4.0% in 2021/22 and 4.1% in 2021/22.

The results of the valuation are that the past service funding level of the Fund as a whole has increased from 87% to 94% between 31 March 2016 and 31 March 2019. The improvement of the Funding position since the previous valuation is mainly due to good investment returns and employer contributions. To produce the future cashflows or liabilities and their present value Barnett-Waddingham formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality, early retirement and staff turnover etc. The Fund's actuary undertook an interim valuation as at 31 March 2021 which showed that the funding level had decreased to 92%. The estimated funding position is based on market movements since 31 March 2020 rather than being a full valuation with updated member data.

The main assumptions used in the valuation were:

Financial assumptions

- | | |
|---------------------|-------|
| • Discount rate | 2.35% |
| • Pension increases | 1.85% |
| • CPI inflation | 1.85% |
| • Salary increases | 2.85% |

Note 18 - Actuarial Present Value of Promised Retirement Benefits

International Financial Reporting Standards (IFRS) requires the disclosure of the actuarial present value of promised retirement benefits. The Fund's Actuary has prepared a report which rolls forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2019. On an IAS 19 basis the Actuary estimates that the net liability as at 31 March 2021 is £2,518m (31 March 2020 £1,647m), but figures calculated on an IAS 19 basis are not relevant for calculations undertaken for funding purposes or for other statutory purposes undertaken under UK pensions legislation. The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

31 March 2020		31 March 2021
£000		£000
4,549,742	Present value of funded obligation	6,146,928
(2,902,913)	Fair value of scheme assets	(3,628,709)
1,646,829	Net Liability	2,518,219

The Present Value of Funded Obligation consists of £6,052m (£4,446m at 31 March 2020) in respect of Vested Obligation and £95m (£104m at 31 March 2020) in respect of Non-Vested Obligation. Vested benefits are the benefits that employees have a right to receive even if they do not render services to the employer. In other words, the employees will receive their vested benefits even if they stop working for the employer. Thus, non-vested benefits are the benefits an employee can receive in the future if he or she continues providing services to the employer. The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate that reflects market rates. The main assumptions used were:

31 March 2020		31 March 2021
2.65%	RPI increases	3.20%
1.85%	CPI increases	2.85%
2.85%	Salary increases	3.85%
1.85%	Pension increases	2.85%
2.35%	Discount rate	2.00%

These assumptions are set with reference to market conditions at 31 March. The Actuary's estimate of the duration of the Fund's past service liabilities is 22 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that

the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similarly, to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date. As future pension increases are expected to be based on CPI rather than RPI, the Actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 1.85%.

Salaries are assumed to increase at 1.0% above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation. The liabilities include an allowance for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which related to age discrimination within the Judicial & Fire Pension schemes respectively.

Demographic/Statistical assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% pa. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 March 2020	31 March 2021
Retiring today		
Males	21.8	21.6
Females	25.1	25.0
Retiring in 20 years		
Males	23.2	22.9
Females	26.5	26.4

The actuary also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Note 19 - Contingent Liabilities and Contractual Commitments

Outstanding contractual commitments at 31 March 2021 relate to outstanding call payments due on unquoted limited partnership funds held in the private equity, resources, global real estate and infrastructure parts of the portfolio. The amounts “called” by the Funds are irregular in both size and timing over several years from the date of each original commitment. The undrawn amount, the outstanding commitment, for each of these contracts is shown in the table below:

Outstanding Capital Commitments	31 March 2020	31 March 2021
	£000	£000
Brunel Infrastructure Cycle 2	250,000	233,826
Brunel Private Debt Cycle 2	130,000	130,000
Brunel Private Equity Cycle 2	120,000	119,094
Brunel Infrastructure Cycle 1	61,095	51,473
Brunel Private Equity Cycle 1	64,240	55,658
Pantheon Asia Fund V LP	1,587	1,436
Pantheon Asia Fund VI LP	18,506	3,441
Pantheon USA Fund VII Limited	1,168	1,057
Pantheon USA Fund VIII Feeder LP	4,517	4,014
Pantheon Global Secondary Fund IV Feeder LP	4,063	1,481
Partners Group Global Resources 2009, LP	3,435	3,079
Pantheon Europe Fund V “A” LP	854	860
Pantheon Europe Fund VI LP	3,061	3,084
Partners Group Global Real Estate 2008 SICAR	1,781	1,707
Partners Group Global Infrastructure 2009 SICAR	2,806	2,690
	667,114	612,900

On 31 March 2021 there were 2 group transfers to the Fund being negotiated with other Funds (3 on the 31 March 2020), the value of 1 of the transfers to the Fund is £1,095k and has been accrued. 1 of the transfers, calculations have not been carried out yet.

On 31 March 2021 there were 4 group transfers out from the Fund to other Pension Funds being negotiated (3 on the 31 March 2020), the value of 3 of the transfers to the Fund is £5,379k and has been accrued. 1 of the transfers, calculations have not been carried out yet.

Note 20 - Additional Voluntary Contributions (AVCs)

AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The AVC providers to the Fund are Prudential and Scottish Widows. Prudential invests in several funds including with profits accumulation, deposit and discretionary funds. Scottish Widows invests in a range of funds to suit Scheme members' changing lifestyles. These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2019/2020 £000	Prudential	2020/2021 £000
4,740	Value of AVC fund at beginning of year	4,727
0	Correction opening value	
622	Employees' contributions and transfers in	
160	Investment income and change in market value	
(795)	Benefits paid and transfers out	
4,727	Value of AVC fund at year end	

Information for the above table has been delayed by Prudential. Prudential are working on this and will have the information in time for the final accounts publication.

Restated 2019/2020 £000	Scottish Widows	2020/2021 £000
2,838	Value of AVC fund at beginning of year	2,087
0	Correction opening value	0
72	Employees' contributions	63
(143)	Investment income and change in market value	292
(680)	Benefits paid and transfers out	(285)
2,087	Value of AVC fund at year end	2,157

Note 21 - List of Scheduled and Admitted Bodies

Scheduled Bodies

Buckinghamshire Council	Newton Longville Parish Council
Buckinghamshire Fire and Rescue Service	Olney Town Council
Thames Valley Police	Penn Parish Council
Milton Keynes Council	Piddington & Wheeler End Parish Council
Milton Keynes Development Partnership	Princes Risborough Town Council
PCC for Thames Valley	Shenley Brook End and Tattenhoe Parish Council
	Shenley Church End Parish Council
Amersham Town Council	Stantonbury Parish Council
Aston Clinton Parish Council	Stony Stratford Town Council
Aylesbury Town Council	Taplow Parish Council
Beaconsfield Town Council	Waddesdon Parish Council
Bletchley & Fenny Stratford Town Council	Wendover Parish Council
Bradwell Parish Council	West Bletchley Town Council
Broughton & Milton Keynes Parish Council	West Wycombe Parish Council
Buckingham Town Council	Weston Turville Parish Council
Burnham Parish Council	Winslow Town Council
Campbell Park Parish Council	Woburn Sands Town Council
Chalfont St Giles Parish Council	Wolverton & Greenleys Town Council
Chepping Wycombe Parish Council	Wooburn & Bourne End Parish Council
Chesham Bois Parish Council	Woughton Community Council
Chesham Town Council	
Chiltern Crematorium	Abbey View Primary School
Chilterns Conservation Board	Alfriston School
Coldharbour Parish Council	Amersham School
Coleshill Parish Council	Ashbrook School
Gerrards Cross Parish Council	Aspire Schools
Great Missenden Parish Council	Aylesbury College
Hambleden Parish Council	Aylesbury Grammar School
Hanslope Parish Council	Aylesbury High School
Hazlemere Parish Council	Aylesbury Vale Academy
Hughenden Parish Council	Beaconsfield High School
Iver Parish Council	Bearbrook Combined & Pre-school
Ivinghoe Parish Council	Bedgrove Infant School
Kents Hill & Monkston Parish Council	Bedgrove Junior School
Lacey Green Parish Council	Beechview Academy
Lane End Parish Council	Bourne End Academy
Little Marlow Parish Council	Bourton Meadow Academy
Little Missenden Parish Council	Bridge Academy
Longwick-cum-Ilmer Parish Council	Brill CofE Combined School
Loughton & Great Holm Parish Council	Brookmead School
Marlow Bottom Parish Council	Brooksward School
Marlow Town Council	Brushwood Junior School
Mentmore Parish Council	Buckinghamshire New University
New Bradwell Parish Council	Buckinghamshire University Technical College
Newport Pagnell Town Council	Burnham Grammar School

Bushfield School	Jubilee Wood Primary School
Castlefield School	Kents Hill Park School
Chalfonts Community College	Kents Hill School
Chalfont St Peter CE Academy	Khalsa Secondary Academy
Chalfont Valley E-Act Academy	Kingsbridge Education Trust (MAT)
Charles Warren Academy	Knowles Primary School
Chepping View Primary Academy	Lace Hill Academy
Chesham Bois CofE Combined School	Lent Rise Combined School
Chesham Grammar School	Longwick CofE Combined School
Chestnuts Academy	Lord Grey Academy
Chiltern Hills Academy	Loudwater Combined School
Chiltern Way Academy	Loughton School
Christ the Sower Ecumenical Primary School	Middleton Primary School
Cottesloe School	Milton Keynes Academy
Curzon School	Milton Keynes College
Danesfield School	Milton Keynes Education Trust
Denbigh School	Monkston Primary Academy
Denham Green E-Act Academy	Moorland Primary School
Dorney School	New Bradwell School
Dr Challoner's Grammar School	New Chapter Primary School
Dr Challoner's High School	Oakgrove School
Edlesborough School	Olney Infant School
Elmhurst School (Academy)	Olney Middle Academy
Elmtreee Infant and Nursery School	Orchard Academy
EMLC Academy Trust	Ousedale School
Fairfields Primary School	Overstone Combined School
George Grenville Academy	Oxford Diocesan Bucks School Trust (MAT)
Germander Park School	Oxley Park Academy
Gerrards Cross CoE School	Padbury CofE School
Glastonbury Thorn First School	Portfields Combined School
Great Horwood CofE Combined School	Princes Risborough Primary School
Great Kimble CoE School	Princes Risborough School
Great Kingshill CoE Combined School	Rickley Park Primary School
Great Marlow School	Royal Grammar School
Great Missenden CoE Combined School	Royal Latin School
Green Park School	St John's CofE Combined School
Green Ridge Academy	St Mary & St Giles CofE School
Hamilton Academy	St Mary's CofE Combined School
Heronsgate School	St Nicolas' CE Combined School Taplow
Heronshaw School	St Paul's RC School
Holmer Green Senior School	Seer Green CofE School
Holmwood School	Shenley Brook End School
Holne Chase Primary School	Shepherdswell School
Ickford School	Sir Henry Floyd Grammar School
Inspiring Futures Through Learning	Sir Herbert Leon Academy
Ivingswood Academy	Sir Thomas Fremantle Academy
John Colet School	Sir William Borlase's Grammar School
John Hampden Grammar School	Sir William Ramsay School

Southwood Middle School
 Stanton School
 Stantonbury Campus
 Stephenson Academy
 The Beaconsfield School
 The Hazeley Academy
 The Highcrest Academy
 The Misbourne School
 The Premier Academy
 The Radcliffe School
 Thomas Harding Junior School
 Two Mile Ash School

Waddesdon CoE School
 Walton High
 Water Hall Primary School
 Waterside Combined School
 Watling Academy
 West Wycombe Combined School
 Whitehouse Primary School
 Wooburn Green Primary Academy
 Woodside Junior School
 Wycombe High School
 Wyvern School

Admitted Bodies

Acorn Childcare
 Alliance in Partnership (BPPS)
 Alliance in Partnership (BPS)
 Alliance in Partnership (TWOMA)
 Ambassador Theatre Group
 Ambient Support
 Ashridge Security Management
 Aspens Services Ltd
 Avalon Cleaning Services (Langland School)
 Birkin Cleaning Services (Shenley Brook End)
 Buckinghamshire Local Enterprise Partnership
 Buckinghamshire Music Trust
 Bucks Association of Local Councils
 Bucks County Museum Trust
 Busy Bee Cleaning Services Ltd (Walton High)
 Busy Bee Cleaning Services Ltd (BC)
 C-SALT (Woughton Leisure Centre)
 Capita (WDC)
 Caterlink Ltd (Chiltern Hills Academy)
 Chartwells Ltd (Oakgrove School)
 Chiltern Rangers CIC
 Cleantec Services Limited (Denham Academy)
 Cleantec Services Limited (MK Academy)
 Cleantec Services Limited (Oakgrove School)
 Cleantec Services Limited (Radcliffe School)
 Cucina Restaurants Ltd (Denbigh School)
 Cucina Restaurants Ltd (Walton High)
 Derwent Facilities Management Ltd
 Everyone Active Ltd
 Excelcare
 Fremantle Trust
 Fujitsu Services Limited
 Hayward Services Ltd (John Colet)
 Hightown Housing Association Ltd

Innovate Ltd
 Kids Play Ltd
 Manpower Direct Ltd
 Mears Group plc
 Mercury Infrastructure Limited
 NSL Services Group
 Oxfordshire Health NHS Foundation Trust
 Paradigm Housing Association
 Places for People Leisure (Newport Pagnell TC)
 Places for People Leisure (WDC)
 Police Superintendents Association Limited
 Red Kite Community Housing Ltd
 Ringway Infrastructure Services
 Ringway Jacobs
 RM Education
 Serco (MKC)
 Serco (MKC Recreation & Maintenance)
 Sports Leisure Management
 Thrift Activity Farm Ltd
 Turn It On Ltd
 Vale of Aylesbury Housing Trust
 Wolverton & Watling Way Pools Trust
 Wycombe Heritage and Arts Trust

The Audit Findings for Buckinghamshire Council Pension Fund

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September 2021

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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Action plan
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- C. Audit adjustments
- D. Fees
- E. Audit Opinion
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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 Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- 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.

Our findings have been summarised in Appendix A to C. Based on the work completed to date, we have not identified any material adjustments to the financial statements that impact the Fund's net asset position. 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 in progress and presently there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter {- see appendix F};
- review of the Annual Report;
- conclusion of going concern work; and
- review of the final set of financial statements incorporating audit adjustments.

The Pension Fund provided draft accounts on 30 June and a substantial proportion of requested supporting work papers followed the same week. Consequently, at the time of drafting the AFR, there are a number of outstanding queries to be resolved by the finance team:

- Planning queries – We need to review the completed planning queries template before it is presented at the Audit and Governance Committee for ratification.
- Investments - Requested evidence of managements challenge to fund managers for valuations of level 2 and level 3 investments or rationale why that is not necessary for each fund manager.
- Investments – Confirmation of reason required for difference in Partners investor's statement and custodian confirmation.

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 and may include an Emphasis of Matter paragraph highlighting asset valuation material uncertainties in relation to private equity and infrastructure investments. However, this is subject to discussion with the management.

2. Financial Statements

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 and will be presented to the Audit and Governance Committee.

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 Fund's business and is risk based, and in particular included:

- An evaluation of the Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the Fund's member data systems; and
- Substantive testing of 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 in July 2021.

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 are detailed on page 3.

2. 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.

Materiality levels remain the same as reported in our audit plan dated July 2021.

We detail in the table our determination of materiality for Buckinghamshire Council Pension Fund.

Pension Fund Amount (£000) Qualitative factors considered

Materiality for the financial statements	29,137	We considered materiality from the perspective of the users of the financial statements. We considered 0.8% was an appropriate rate to apply to the total assets benchmark. The rationale for using this benchmark is that in a pension scheme the financial statements are dominated by the investment portfolio and therefore the financial statements materiality is normally expected to be based upon total assets. Therefore, this is the most appropriate and significant benchmark for the reader of the accounts and it ensures that contributions and benefits payable are scoped in.
Performance materiality	21,853	The Pension Fund does not have a history of significant deficiencies or a large number of misstatements.
Trivial matters	1,457	The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.



2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

We have:

- evaluated the design effectiveness of management controls over journals.
- analysed the journals listing and determined the criteria for selecting high risk unusual journals.
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraudulent revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Council Pension Fund, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Buckinghamshire Council Pension Fund.

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

Fraudulent expenditure recognition

We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.

We were satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:

- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;
- We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; and
- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.

Therefore we do not consider this to be a significant risk for Buckinghamshire Council Pension Fund.

As communicated in our audit plan, we have rebutted this risk. We have made no changes to this assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments

You revalue your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (**PY: £154m**) and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2021.

We therefore identified valuation of Level 3 investments as a significant risk.

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments.
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2021 with reference to known movements in the intervening period.
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert.
- tested revaluations made during the year to see if they had been input correctly into the Fund's asset register.
- where available, reviewed investment manager service auditor reports on the design effectiveness of internal controls.

Our audit work to date has not identified any other issues in respect of the valuation of Level 3 investments. We will provide an update to Audit and Governance Committee when the work is complete.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £167m	<p>The Fund has investments in private equity, infrastructure and property that in total are valued on the balance sheet as at 31 March 2021 at £167m (£154m as at 31 March 2020).</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs.</p> <p>In order to determine the value, management use fund managers to determine valuations using recognised techniques for the particular investment type (private equity, infrastructure and property). The value of these investment has increased by £13m in 2020/21, which is not a significant variance.</p> <p>Management has considered alternative estimates and disclosed an estimation uncertainty in the financial statements disclosing there is a risk that the private equity investments may be under or overstated in the accounts by £34m.</p>	<p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> evaluating the audit opinion relating to the funds within which the investments are held. evaluating impact of any material uncertainty disclosed by the fund managers in the Fund accounts. testing the key assumptions used to determine the estimate. the appropriateness of the underlying information and techniques used to determine the estimate. adequacy of disclosure of the estimate in the financial statements. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Level 2 Investments – £3,410m	<p>The Fund has investments in a range of bonds, pooled investment vehicles and property unit trusts that in total are valued in the net assets statement as at 31 March 2021 at £3,410m (£2,679m as at 31 March 2020).</p> <p>The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management use fund managers to determine valuations using recognised pricing techniques (such as for the equities and bonds held within pooled investment vehicles) and where appropriate use qualified external providers (for property unit trusts).</p> <p>The value of the investment has increased by £731m in 2020/21, mainly due to unrealised profits amounting to £581m. The realised profits contributing to the increase in valuation amount to £102m.</p>	<p>Our assessment of the estimate comprised:</p> <ul style="list-style-type: none"> the controls employed by the fund managers engaged by management to determine the valuation of these investments. agreeing investment unit prices or valuations to reports from the custodian and fund managers. the appropriateness of the underlying information and techniques used to determine the estimate. adequacy of disclosure of the estimate in the financial statements. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Fund prior to issuing the audit opinion.

2. Financial Statements - other communication requirements



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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Fund's custodian, fund managers and bank. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress and we have raised a recommendation in Appendix A.

2. Financial Statements - other communication requirements



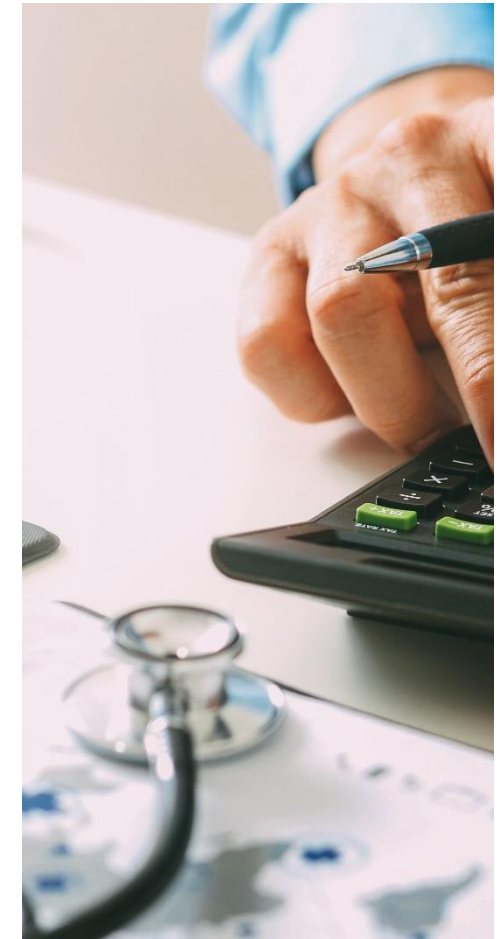
Our responsibility

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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates; the Pension Fund's financial reporting framework; the Pension Fund's system of internal control for identifying events or conditions relevant to going concern; and management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified; and management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	<p>A number of inconsistencies have been identified. These pertain to the following disclosures:</p> <ul style="list-style-type: none"> • Accounting Policies • Critical Judgements • Events after the Reporting Date • Estimation Uncertainty • Key Management Personnel • Accounting Standards that have been issued but not yet adopted • Investment Disclosures (note 11 and 12) • Actuarial Position and Actuarial Present Value of Promised Retirement Benefits Disclosures (note 17 and 18) <p>Though these have been adequately rectified by management, we expect fewer omissions and errors in the notes accompanying the Pension Fund's financial statements. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Fund's Annual Report at the same time as issuing the audit opinion.</p>



3. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

3. 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 Pension Fund. The following audit-related service was identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	7,000	Self-interest	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 £7,000 in comparison to the total fee for the audit of £38,000 and in particular relative to Grant Thornton UK LLP's turnover overall. This mitigates the perceived self-interest threat to an acceptable level.

No non-audit services were identified which were charged from the beginning of the financial year.

Appendices

A. Action plan – Audit of Financial Statements

We have identified one recommendations for the Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on the recommendation during the course of the 2021/22 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
High	<p>Transaction listings</p> <p>At the start of the audit transaction listings contained many contra entries, which ultimately reverse out and do not form part of year end balances. We worked with management to ensure that transactions listings were cleansed before we selected our samples. This caused some delay to audit progress.</p> <p>The risk is that if transaction listings are not cleansed, we will select sample items that ultimately need to be replaced as they do not exist at year end and/or our sample sizes are significantly inflated increasing audit input and the demand on management.</p>	<p>Transaction listings provided to audit should be cleansed of significant contra entries.</p> <p>Management response</p> <p>We will complete a review and data cleanse before transaction listings are sent through going forward</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Investment Valuation: As part of our testing of investments we reconciled the year end valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that State Street (the Custodian) had used the 31st December valuation data (latest available at the time) to value the 31st of March positions. The client also used the custodian figures in preparation of their accounts.	<p>Response as per prior year AFR: Client confirmed that they will liaise with State Street to discuss if they are able to provide the information needed in a timelier manner.</p> <p>20/21 Update: Majority of the funds are valued at 31.03.2021. For the small amounts that are valued at 31.12.2020, this will not have a material impact on the accounts. The reason for using some data from the 31.12.2020 is due to the timing of the information being provided to us from the fund managers.</p>
✓	Scheme Contributions: The reconciliation of monthly returns for scheme contributions from scheduled and admitted bodies had a total difference of £3,808k We could not obtain a clean reconciliation between the accounts and employer contribution records; the total difference was £3,808k. Auditor sought an explanation for this variance; however this could not be provided by the client at a macro level. Auditor thus performed an employer-by-employer reconciliation to determine why this difference occurred and reconciled this down to a trivial difference of £11k. There were also several insignificant differences noted in relation to several other employers. Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation.	<p>Response as per prior year AFR: We are in the process of improving the reconciliation. Including monthly reports to Management.</p> <p>2020/21 update: The reconciliation process has been improved further this year, with officers fully reconciling returns to SAP on quarterly basis by employer.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Investments - Challenge to assumptions: We made inquiries regarding the assumptions that are used by the fund managers for valuations of level 2 and level 3 investments and concluded that client does not challenge them. Furthermore, management failed to demonstrate any challenge to the classification methodology for the different hierarchy of investments.</p>	<p>Response as per prior year AFR: We will ensure to review and challenge the fund managers and custodians where we can.</p> <p>2020/21 update: Where appropriate we have challenged the assumptions of custodian. This is documented in our audit</p>
✓	<p>Management challenge of actuary: During our review of the actuarial PV of Promised Retirement Benefits, as required, we sought to obtain management's review and challenge of the actuary's estimate.</p> <p>There was no evidence of management's formal challenge to the actuary's estimate.</p> <p>Management are responsible for the judgements within the financial statements. They are required to retain evidence of their challenge and correspondences with the experts while making their judgments and decisions regarding accounting estimates.</p>	<p>Response as per prior year AFR: We will ensure to review and challenge the Actuary where we can.</p> <p>2020/21 update: Where appropriate we have challenged the assumptions of Barnett Waddingham</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire Pension Fund's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>IAS 19: Digital filing System: As part of our IAS 19 testing, we noted several instances of version control issues. Multiple email exchanges between the Pension Fund and the employers for confirmation of data to be sent to the actuary, were initially sent as final evidence to our audit team.</p> <p>It proved extremely cumbersome to obtain the final source data from employers which agreed to that sent to the actuary. An appropriate system of version control regarding source data is needed.</p> <p>This will ensure that the audit is more efficient, and less time is spent going through several emails which are not supporting the source data sent to the actuary.</p>	<p>Response as per prior year AFR: We will ensure we keep the final versions of all data submitted to the actuary by the individual employers</p> <p>2020/21 update:</p> <p>We have created a sperate file in our audit papers which includes a folder per employer. Within this folder is the final data submission</p>
✓	<p>IAS 19: Milton Keynes Council: As part of our IAS 19 testing, we noted that Milton Keynes Council, did not respond to efforts by the Pension Fund to obtain their data to be sent to the actuary.</p> <p>Similarly, it was also noted that up to August 2020, the March 2020 employer return was not submitted despite several attempts to obtain this information.</p> <p>Consideration should be given by management to identify ways in which data can be obtained from Milton Keynes Council ahead of year end closedown and audit.</p>	<p>Response as per prior year AFR: We have been liaising with MK ongoing and have now obtained the data required</p> <p>2020/21 update:</p> <p>We continue to work with all our employers in order to obtain the data we require in order to be able to prepare our accounts</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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.

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Critical Judgements	<p>We noted that within critical judgements in applying accounting policies, the disclosure in relation 'pension fund liability' is an estimation uncertainty rather than critical judgement and should not be included.</p> <p>Management response Agreed to changes. To be reflected in revised financial statements.</p>	✓
Material Uncertainty	<p>We noted that the Pension Fund had disclosed a material uncertainty in their draft accounts pertaining to the valuation of level 3 investments. Since none of the fund managers had disclosed the same in their financial statements, it is not appropriate for the Pension Fund to have a material uncertainty disclosure.</p> <p>Management response Agreed to changes. To be reflected in updated draft accounts.</p>	✓
Other Formatting Issues	<p>We noted that there were a number of minor formatting issues in the notes to the Pension Fund financial statements section. These comprise of the adjustments communicated to the client via A1a along with other minor issues discussed and agreed directly by the audit team.</p> <p>Management response Agreed to changes. To be reflected in updated draft accounts.</p>	✓

C. 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.

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Notes 17 and 18	We noted financial assumption percentages were misstated in Note 17, and CPI and RPI percentages were misstated in Note 18. Management response Agreed to changes. To be reflected in revised financial statements.	✓
Accounting Policies – Financial Instruments Note 12	Financial instruments policy did not reflect IFRS 9. For example, assets and liabilities are classified under different models in IFRS 9; the term Loans and Receivables is no longer applicable, it should be 'Assets at amortised cost'. Also the definition is different to that of held at amortised cost under IFRS 9, therefore should be updated in line with CIPFA Code. Note 12 categories are also not in line with IFRS 9. Management response Agreed to changes. To be reflected in revised financial statements.	✓
Accounting Standards that have been issued but not yet adopted.	Accounting Standards that have been issued but not yet adopted should disclose the expected impact on the accounts. We asked management to add the following narrative to this disclosure in the revised financial statements; 'None of the Accounting Standards that have been issued but not yet adopted will have a significant impact the financial statements.' Management response Agreed to changes. To be reflected in revised financial statements.	✓

C. 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.

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Key Management Personnel disclosures	Key management personnel disclosures in the draft accounts, required per Code 3.9.4.2, referred to disclosures within the Buckinghamshire Council financial statements. The required disclosures must be made in full within the Fund's financial statements as they are a standalone Statement of Accounts. Management response Agreed to changes. To be reflected in revised financial statements.	✓

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	2019-20 Pension Fund Account £'000	2019-20 Net Asset Statement £' 000	2019-20 Impact on total net assets £'000	Reason for not adjusting
As part of our testing of investments we reconciled the 2019-20 valuations as per the custodian reports with the fund manager statements. In doing so, we discovered that a variance amounting to £10,059k was attributable to the fact that the fund managers (Partners Group and Pantheon) data was lagged so the Custodian (State Street) had used the 31 December valuation data (latest available at the time) to value the 31 March positions. Management used the Custodian's figures in preparation of the financial statements. The use of Custodian figures for accounts preparation introduces the potential overstatement of the investments in question as they are valued as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures.	10,059	(10,059)	(10,059)	The overstatement of investment was below materiality and hence it was not adjusted in the accounts.
Overall impact	£10,059	(£10,059)	(£10,059)	



D. Fees

We confirm below our final fees charged for the audit and that there are no fees relating to the provision of non-audit services

Audit fees	Proposed fee	Final fee
Buckinghamshire Council Pension Fund Audit	£38,000	£38,000
Provision of IAS 19 Assurances to Scheme Employer auditors	£7,000	£7,000
Total audit fees (excluding VAT)	£45,000	£45,000

E. Audit opinion – Draft

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor’s report to the members of Buckinghamshire Council on the pension fund financial statements of Buckinghamshire Council Pension Fund

Opinion

We have audited the financial statements of Buckinghamshire Council Pension Fund (the ‘Pension Fund’) administered by Buckinghamshire Council (the ‘Authority’) for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund’s assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; 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, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. 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 Pension Fund’s 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 are responsible for concluding on the appropriateness of the Service Director-Corporate finance’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

E. Audit opinion – Draft

In our evaluation of the Service Director- Corporate finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director- Corporate finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director- Corporate finance with respect to going concern are described in the 'Responsibilities of the Authority, Service Director- Corporate finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Service Director- Corporate finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts , other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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 Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund 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 Pension Fund 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

E. Audit opinion – Draft

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

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 in relation to the Pension Fund.

Responsibilities of the Authority, the Service Director- Corporate finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], 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 Service Director- Corporate finance. The Service Director- Corporate finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director- Corporate finance 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 Pension Fund's financial statements, the Service Director- Corporate finance is responsible for assessing the Pension Fund'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 Pension Fund will no longer be provided.

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

E. Audit opinion – Draft

Auditor’s responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority’s policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

E. Audit opinion – Draft

- The pressure on management in terms of how they report performance. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. Therefore, the journals we selected for testing were identified based on the risk assessment configuration and the weighted risk calculation. For this purpose, we used our judgement to assign a numerical value (score) to each transaction. Transactions which are analysed as being higher risk were assigned a higher score. These higher risk transactions were then tested to identify any potential management bias. We found no instances of management bias as a result of our testing .
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Service Director- Corporate finance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on journals having characteristics which indicate potential management bias;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

E. Audit opinion – Draft

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

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

London

[Date]

F. Management Letter of Representation – To Follow

To Follow

To Follow



Audit and Governance Committee

Date:	29 September 2021
Reference number:	N/A
Title:	2021/22 Business Assurance Strategy Update (incl. Internal Audit Plan)
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report
Reason for decision:	N/A

1. Executive summary

- 1.1 The purpose of the report is to present the 2021/22 Business Assurance Strategy update, including progress against the Internal Audit Plan.
- 1.2 The 2021/22 Internal Audit Plan has been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that are currently in progress.

2. Content of report

- 2.1 The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers; and informed through discussion with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive.

2.2 The Internal Audit Plan has continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.

2.3 Quarterly Business Assurance updates are presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which are reviewed for appropriateness each time. We also seek the views of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can.

2.4 Progress against strategy has been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 None.

5. Corporate implications

5.1 None.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 An update on delivery of the Business Assurance Strategy and a summary of the internal audit output will be presented as a standing agenda item at Audit and Governance Committee meetings.

9. Background papers

9.1 None.

10. Your questions and views (for key decisions)

- 10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

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BUCKINGHAMSHIRE COUNCIL

Business Assurance Update and Progress against the Internal Audit Plan 2021/22

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

September 2021

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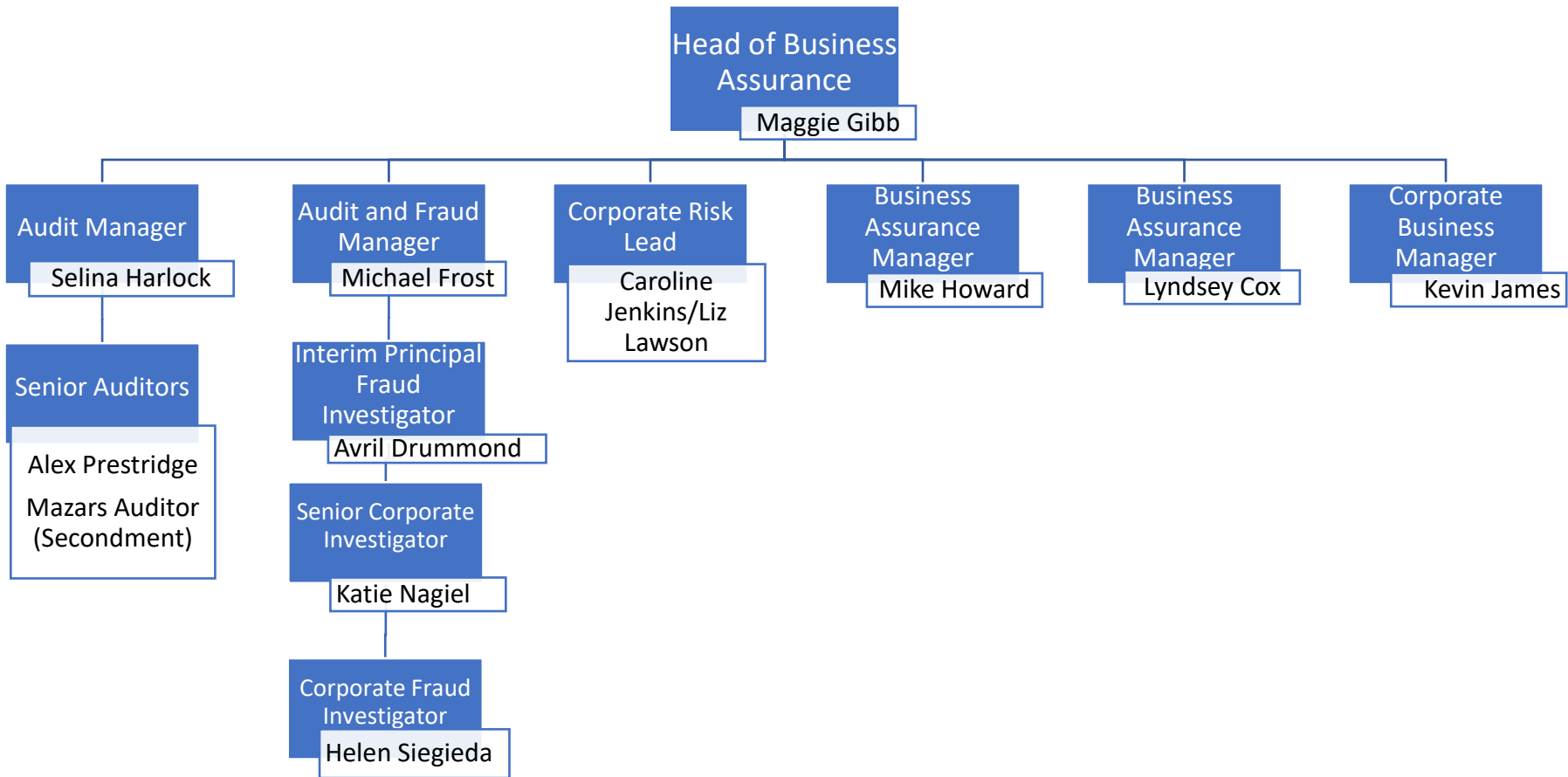
1. Introduction

- 1.1 The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:
- Internal Audit;
 - Risk Management;
 - Counter Fraud; and
 - Assurance.
- 1.2 This report outlines the work being undertaken by the Business Assurance Team during quarter one and two of 21/22. The Internal Audit, Risk Management, Counter Fraud and Assurance work plans were produced with reference to the Strategic and Service Risk Registers along with consultation with Senior Leadership Teams for each Directorate. The current year plans consider activities that were scheduled for delivery in 20/21 but had to be paused due to the pandemic. It should be noted that a risk-based methodology is applied in developing the plans, therefore work not undertaken in 20/21 is not necessarily carried forward into this year for delivery as the risks and priorities within the services have changed. As such, the planning process took these deferred activities into account and through discussions with Directorates we re-evaluated the risk to determine whether the work should be included in the current year plans.
- 1.3 Our plans continue to be dynamic in nature and are reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. The quarter two Business Assurance updates have been presented to Directorate Leadership Teams providing them with an overview of the Internal Audit activities including progress on implementation of audit actions: and a risk management update on escalated risks with status of risk reviews.

2. Resources

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

Business Assurance Team Structure:



3 Risk Management

- 3.1 The Business Assurance Team has continued to embed risk management across Buckinghamshire Council. We have been reviewing the risks in more detail to ensure that the magnitude of risks is understood and that there are appropriate internal controls and/or actions undertaken to mitigate risks and address some of the risk gaps identified.
- 3.2 We have continued to provide risk management training sessions that have been delivered across the organisation to ensure that officers are aware of their roles and responsibilities in relation to risk management. We have also begun looking at how we may expand our delivery methods through pre-recorded videos and e-learning.
- 3.3 Following discussions with IT and our external Information Security partner, the Impact Score descriptions as noted in the Risk Management Strategy have been expanded further from a data protection and information security perspective.
- 3.4 The Corporate Management Team (CMT) agreed in July 2021 that two new risks should be added to the Strategic Risk Register: HS2 and its impact on Buckinghamshire's communities and environment and Climate Change given the Council's commitment to climate change and sustainability in Buckinghamshire.
- 3.5 Risk Management Group meetings were held on 6 and 20 September 2021 where the Deputy Chief Executive and Children's Services Directorates presented their key risks, as well as a detailed review of the Strategic Risk Register and Fraud Risk Register.

4 Internal Audit

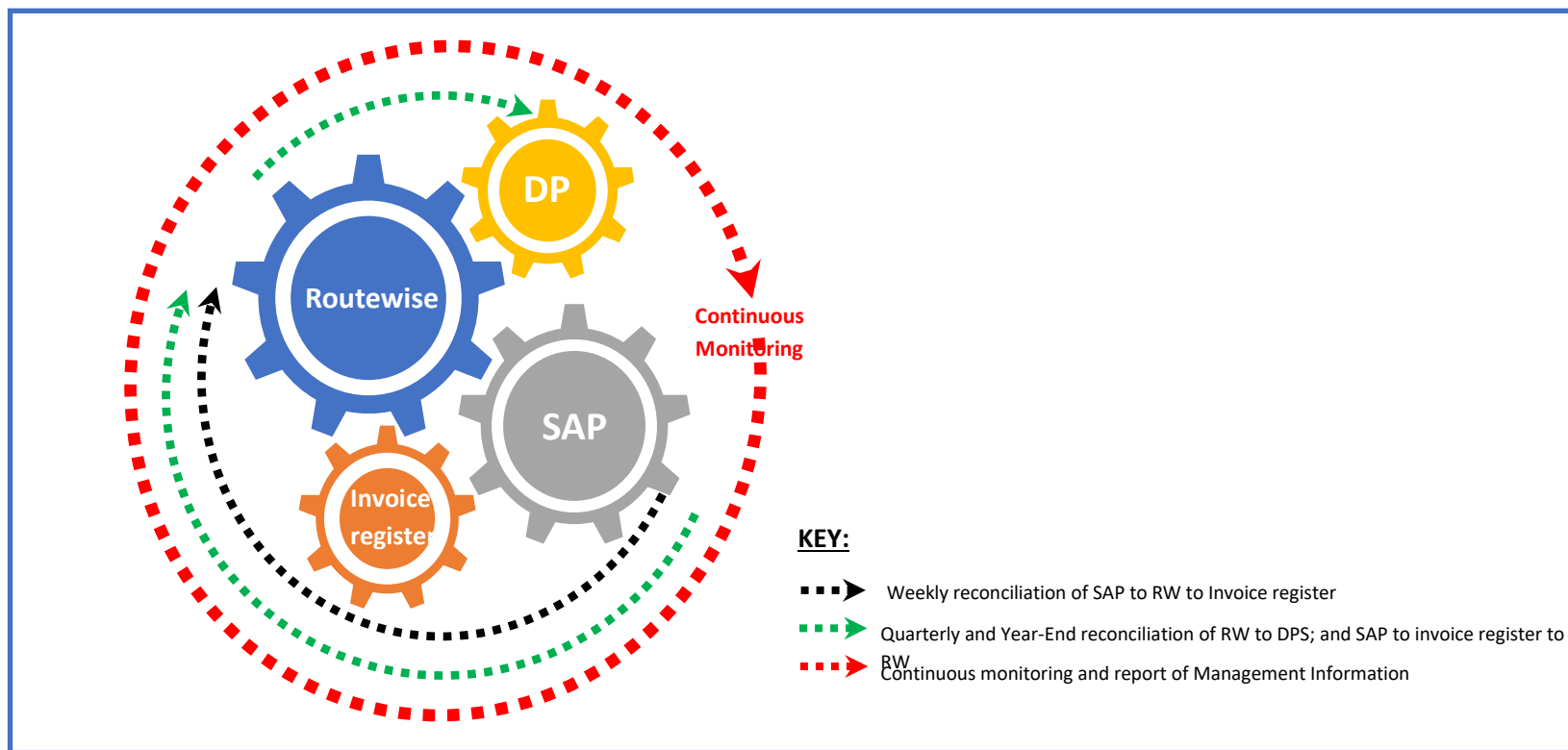
- 4.1 The Internal Audit function supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 2021/22 audit assignments. Whilst we have an agreed Internal Audit plan which was approved as part of the Business Assurance Strategy, we have adopted a more fluid approach in the delivery of the audit plan. The Internal Audit activity is continuously reviewed and amended as required and remains flexible to react to emerging issues/ risks. Quarterly reporting to Directorate Senior Leadership Teams are scheduled to ensure the plan is kept under continuous review. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

- 4.2 The plan and allocation of audit days is regularly reviewed by the Audit Manager and Head of Business Assurance (& Chief Auditor) and activities re-prioritised and days increased or decreased where necessary.
- 4.3 The Internal Audit Team has continued to make good progress against plans. The audit reports from the previous year have been finalised and follow-up of audit actions continues. From the carried forward 20/21 audits we have finalised 12 reports and from the current year plans; one final report has been issued, four audits are at draft reporting stage, four are at fieldwork stage and twenty-one at planning. Six grant verifications have been completed to date.
- 4.4 Internal Audit have an audit tool, 'Pentana', that is used for maintaining files and working papers and for capturing management actions (audit recommendations). Follow-up of management actions is a continuous task that is undertaken by the auditors and there are currently 10 outstanding actions relating to schools that remain open that are being followed-up now that the academic year has started.
- 4.5 The Audit Board, chaired by the Service Director, Corporate Finance (S151), met on 20 September 2021 and reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. Appendix 1 shows the current progress updated against the Internal Audit Plan.

5 Business Assurance

- 5.1 The Business Assurance Team are currently working within Client Transport Services providing assurance over the financial controls and contract management processes. The work delivered to date includes:
- Providing assurance on 20/21 invoice payment position via regular reconciliations and reporting.
 - Provide assurance on the budget forecasting methodology.
 - Developing an enhanced invoice register for 21/22 that provides up to date management information on progress against invoice payment process.
 - Undertaking tender verifications to ensure accuracy and completeness of contracts ended and started on Routewise; including verifying accuracy of Limit Orders raised for the live contracts.
- 5.2 The team has also developed a continuous assurance framework that provides holistic oversight of spend within Client Transport, considers contract, operational and financial data from the various systems. Transport and Finance officers are engaged in the

process such that suppliers are paid on time and query resolution is a daily task to enable proactive management of spend and anticipate any overspend during the monthly budget monitoring and forecasting cycle. Through this process mechanisms are in place within the new invoice register as well as the dashboards to ensure over/underspend are flagged early and any key concerns are promptly reported to enable timely resolution. Weekly, monthly and quarterly reconciliations provide for additional assurance that actual expenditure on SAP is correct, in line with the Routewise (Client Transport contract recording system) service operations data and the status of the invoice payments per the Invoice register. Embedded within the process is the management information and continuous monitoring via the weekly meetings to ensure that pinch points are dealt with promptly and key concerns are escalated in a timely manner. Below is an illustration of the control framework:



5.3 We continue to provide assurance to CMT on the Covid-19 related grants. The grant returns and final reconciliations are reviewed prior to the submissions to central government departments. Through these reviews, recommendations are being made for how

the administration, management and reporting of the grants can be improved to reduce the risk of error and enable effective and efficient reporting.

5.4 We continue to make progress the review of the key financial processes, one system review has been completed and three are in-progress. This work will consist of walkthroughs and process mapping on key functions to ensure complete understanding of how the SAP system is being utilised. This work will feed into the continuous improvement work that is in-progress within Finance and will be crucial input for the possible procurement of the new ERP system.

6 Counter Fraud

6.1 The Business Assurance Team has been working closely with the Revenues and Benefits Teams to investigate any potentially fraudulent Covid-19 Business Rate Grant Claims.

Business Rate Grant applications referred to Business Assurance	49
Additional Restrictive/Restart Grant applications referred to Business assurance	56
Number failed risk assessment (deemed to be low risk and so not investigated, or closed after initial investigation)	33
Number investigated (BRG and ARG) to date	49
Number of potential prosecution claims	10
Number of prosecution files being prepared for legal services as of 06 September 2021.	5 One case is currently awaiting trial, one case is scheduled for sentencing on 23 September 2021 with two other cases having prosecution files currently being prepared.

Other cases currently under investigation are as follows:

- Council Tax Reduction cases received 17 and investigating 12. One case issued with a financial penalty, one case awaiting a financial penalty to be issued.
- Single Person Discount cases received eight and investigating seven.
- Discretionary grants received three and investigating three with one outcome already mentioned (case closed but no grant money paid and so the Council have been pro-active in this approach, opposed to reactive). A subject was interviewed under caution for the second case and agreed to a formal caution and a repayment of £4000 which they had falsely claimed. The full money has now been repaid.
- Disabled Facilities Grant received one but not investigated due to admission of guilt.
- Housing Fraud cases received and investigating seven - one of which is a house of multiple occupancy (HMO), with two potential prosecutions.
- Planning application fraud cases received one, investigated one.
- Direct Payment case received one and investigating one. Client failed to attend the scheduled interview under cautions and so the case has been referred to Legal Services with a full prosecution file in preparation.
- Insurance case received two, investigated one but closed after initial investigation revealed that the claim submitted was legitimate. The second case is being investigated.
- School admissions cases received one, investigated one.
- Phishing scams or attempts: 13.

Appendix 1 – 2021/22 Internal Audit Plan

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Corporate	Corporate	Governance	Deferred from 2020/21	Q4
	Corporate	Business Cases	Deferred from 2020/21	Q3/4
	Corporate	Grants	Internal Audit grant assurance returns in line with the funding conditions.	On-going
	Corporate	Covid-19 Pre and Post Payment Assurance Plan	Looking at the assurance that we have taken reasonable steps to ensure that payments are made to legitimate businesses.	On-going
	Corporate	Covid-19 Response	Continue to provide assurance on the Covid-19 grants that are received from government departments to support the Council's response to Covid-19.	On-going
Deputy Chief Executive	Policy and Comms	GDPR – Council wide audit	Deferred from 20/21	Planning
	Localities & Strategic Partnerships	Community Boards	Deferred from 20/21	Q4
	Legal/ Dem Services	Legal Process Review	Deferred from 20/21	Q3/4
	Legal/ Dem Services	Member Declarations and Member Complaints Process	End-to-end process review including completeness and accuracy of records	Final Report - Substantial
	Service Improvement	Assurance over Service Improvement Programme	On-going Assurance in line with the Service Reviews	On-going
Deputy Chief Executive	Service Improvement	Digital	Shifting of content from legacy to new one; rationalising and redesigning, therefore need to ensure this is embedded. This is a one-year work programme, therefore audit to review the programme delivered to ensure delivery per objectives.	Q3/4
Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status

Deputy Chief Executive	Service Improvement	Workstyle Strategy	Two-year programme which is currently at the mid-point. Review that the objectives and expected outcomes are on track to be delivered with next steps recommendations.	Q4
	Localities & Strategic Partnerships	Assets of Community Value	Ensuring there is a robust process behind the decisions and the Localism Act is adhered to. High cost (potential legal challenges if process not adhered to) and reputational risk to the council.	Q3/4
	Legal/ Dem Services	Elections	Deferred from 20/21	Planning
Resources	Finance	Pensions	Deferred from 20/21	Planning
	Finance	Capital Programme	Deferred from 20/21	Planning
	Finance	Contract Management	Deferred from 20/21	Planning
	Finance	Asset Management	Deferred from 20/21	Planning
	Finance	Budget Management	Deferred from 20/21	Draft Report
	Finance/ HR/ IT	Service Now Review	Deferred from 20/21	Q3
	Finance	Cash Receipting End-to - End Process Review	New system and process end-to-end assurance required to understand controls	Q3/4
	Finance/ HR	Expenses	New process being followed from the legacy districts, risk of receipts not being retained due to remote working	Planning
	Finance	Accounts Payable	Key Financial System: High volume and value activity	Q4
	Finance	Accounts Receivable and Income Management	Key Financial System: High volume and value activity. To ensure roles and responsibilities are understood with services clear about expectations	Q4
Finance	General Ledger	Key Financial System	Q3/4	
Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Resources	Finance	Treasury Management	Key Financial System: High value activity, review process with Logotech system.	Q3/4
	Finance	Debt Management	Key Financial System: High volume and value activity	Q4
	Finance	Revs & Bens System Assurance Review	Major project and decommissioning assurance will be required	Planning
	Finance	CTAX	New system and process end-to-end assurance required to understand controls	Q3/4
	Finance	NNDR	New system and process end-to-end assurance required to understand controls	Q3/4
	Finance	Procurement	Evaluate implementation of the Procurement Strategy	Q3/4
	Finance	CTRS/HB	New system and process end-to-end assurance required to understand controls	Q3/4
	Finance	iCares Accounts Payable	New system and process end-to-end assurance required to understand controls	Draft Report
	Finance	iCares Accounts Receivable	New system and process end-to-end assurance required to understand controls	Planning
	HR	Apprenticeship Levy	Deferred from 20/21	Q3/4
	HR	IR35	Deferred from 20/21	Q3/4
	HR	Payroll	Key Financial System	Q3/4
	IT	IT Asset Management	End to End Process Review	Planning
	IT	Audit needs assessment. Review to determine IT audit work to be undertaken.		Final Report
PG&S	Property & Assets	Wycombe Old Library	Deferred from 20/21	Q3/4
	Property & Assets	Project Governance	Deferred from 20/21	Q3/4

Planning, Growth & Sustainability	Housing & Regulatory Service	Enforcement (Housing)	Deferred from 20/21	Q3/4
	Property & Assets	Health & Safety	Deferred from 20/21	Q3/4
	Housing & Regulatory Service	Homelessness	Deferred from 20/21	Planning
	Housing & Regulatory Service	Temporary Accommodation	Deferred from 20/21	Planning
	Housing & Regulatory Service	Disability Facilities Grant	Link with Adults & Health	Planning
	Property & Assets	Property Maintenance	End-to-end review	Planning
	Planning & Environment	Climate Change	Big initiative for the Council linked to our strategy objectives.	Q3/4
	Property & Assets	Property Repairs and Renewals	End-to-end review	Q3/4
	Planning & Environment	Building Control	End-to-end review	Q3/4
	Planning & Environment	CIL/Section 106	Deferred to 21/22	Planning
	LEP	LEP Audit	Deferred to 21/22	Planning
	LEP	Grant Verification	Growth Hub Funding to LEPs – claim verification for FY20/21 funding.	Completed
	LEP	Grant Verification	EU Transition Business Readiness Growth Hub Funding to LEPs FY20/21	Completed
Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status

Planning, Growth & Sustainability	LEP	Grant Verification	Supplemental Growth Hub Funding to LEPs FY20/21	Completed
	LEP	Grant Verification	Peer Network Funding to LEPs FY 20/21	Completed
	Strategic Transport & Infrastructure	HIF Grant	Due to the value and the bid requirement to have IA continuous assurance	Q3/4
	Highways & Technical Services	Flood Management	20/21 floods resulted in a number of residents requiring support, audit will evaluation the strategic management and reactive response/ support to local floods.	Draft Report
Communities	Neighbourhood Services	Taxi Licensing	Deferred from 20/21	Q3/4
	Neighbourhood Services	Crematorium	Deferred from 20/21	Q3/4
	Highways & Technical Services	Parking	Deferred from 20/21	Planning
	Highways & Technical Services	Transport for Bucks	Scope to be agreed in consultation with the service	Q3/4
	Transport Services	Home to School Transport	End to end review to evaluate processes and controls in place for the new ONE system.	Q4
	Neighbourhood Services	Household Recycling Centres	Includes the income management at the centres.	Q3/4
	Neighbourhood Services	Energy for Waste	Significant income levels generated - will include contract management.	Fieldwork
Adults & Health	Adult Social Care	Implementation of Medications Policy - In-house services	Deferred from 20/21	Q4
Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status

Directorate	Service	Audit Title	Objectives/Risk/Concerns	Status
Adults & Health	Adult Social Care	Interface - Hospital Discharges and Social Care	Deferred from 20/21	Q4
	Quality Standards & Performance	Quality Assurance Framework (QAF)	Deferred from 20/21	Q3
	Integrated Commissioning	Choice and Charging Policy	Deferred from 20/21	Q4
	All	Follow-Up Audits	Follow-up all the findings raised in the following audits: Implementation of Medications Policy – Commissioned services, Seeley’s Respite, Deprivation of Liberty Standards.	Planning
	Quality Standards & Performance	iCares System - IT Application Controls Audit	Deferred from 19/20 & 20/21	Planning
	Integrated Commissioning	Direct Payments	End-to-end process review	Q3
	Integrated Commissioning	Supplier Viability	Evaluate the process in place to enable timely identification of suppliers under pressure and mechanisms in place to manage resilience.	Q3/4
Children's Services	Social Care	Fostering Services	Deferred from 20/21	Q4
	Social Care	Social Work England Information Requests	Deferred to 21/22	Planning
	Social Care	Care Leavers	Deferred from 20/21	Q4
	Education	SEND – Complaints & SARs	Deferred from 20/21	Q4
	Education	Early Years - Entitlement for 2/3/4 yrs. and Claims Payments	Deferred from 20/21	Q3/4

Children's Services	Social Care	Commissioning of Residential placements	Deferred from 19/20 & 20/21	Draft Report
	Social Care	Children's Homes	Each home to be audited and reported on separately.	Planning
	Social Care	Supported Families Programme Grant Verification	First Claim completed in June for 65 families under Sustained and Significant Progress	Claim 1 - Completed
			Claim verification work undertaken in August. Claim made for 77 families under Sustained and Significant Progress	Claim 2 - Completed
	Education	Schools - Thematic Review	Deferred from 20/21 – schools to be reviewed will be agreed in consultation with the service.	Q3-4
All Directorates	Follow-Ups			On-going
BMKFA	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by February 2022 ahead of their external audit.			In-progress
Academies	Audit activity at planning stage and timings being agreed for delivery in Q3-4			In-progress

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Audit and Governance Committee

Date:	29 September 2021
Reference number:	N/A
Title:	Risk Management Group Update
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report.

1. Executive summary

- 1.1 The purpose of the report is to provide an update on the Risk Management Group (RMG) meetings held on 6 and 20 September 2021.
- 1.2 The Council's Risk Management Framework including the Terms of Reference for the Risk Management Group was approved by the Audit and Governance Committee in June 2021.

2. Content of report

- 2.1 The Corporate Director for Children's Services, Richard Nash, attended the meeting along with the Development Manager and Head of Finance.
- 2.2 Children's Services have an embedded Risk Escalation Framework, with risk being a standing item at the management team meetings.

- 2.3 The Risk Champion works closely with the Corporate Risk Lead to improve the quality of the risk information. Quarterly reporting on risk and assurance is discussed at the Children's Services Leadership Team.
- 2.4 There are 19 risks currently held within Children's Services, of which 12 are operational and seven are financial. Of the 12 operational risks, four risks are currently being managed at the Senior Management Team level (tier 1) and eight are escalated to the Senior Leadership Team (tier 2)
- 2.5 The key risk themes were as follows:
- CS-CSC-01 Placements for Looked after Children
 - CS-CSC-02 OFSTED Inspection / Improvement Plan
 - CS-CSC-03 Recruitment and Retention
 - CS-CSC-04 Growth and Demand
 - CS-E-03 Special Educational Needs and Disability (SEND) Service
 - CS-E-04 SEND Placements
 - CS-E-05 Pupil Place Planning
 - CS-E-06 OFSTED judgements in Schools and Early Years Providers
- 2.6 Key Financial Risk Register
- CS-KF-01 Debt Management
 - CS-KF-02 Growth Agenda - Children's Social Care increased demand and unit costs
 - CS-KF-03 Growth Agenda - SEND increased demand and unit costs
 - CS-KF-05 Maintained schools financial issues
 - CS-KF-06 Financial Management Culture
 - CS-KF-09 Payment Performance
 - CS-KF-10 Use of agency staff
- 2.7 The Children's Service's risks which had been de-escalated or closed since the December 2020 meeting of RMG were also discussed to ensure that there had been appropriate decision making in place for each of the risks.

- 2.8 The Corporate Director for Deputy Chief Executive's Directorate, Sarah Ashmead, attended the meeting with her four service directors: Policy and Communications; Legal and Democratic; Service Improvement and Localities and Partnerships.
- 2.9 There are 35 risks currently held within the Deputy Chief Executive's Directorate, of which nine are escalated to the DCE leadership team.
- 2.10 The key risk themes were as follows:
- DCE-SI-02 Engagement with the Better Buckinghamshire programme
 - DCE-PC-06 Information Management Strategy and Governance
 - DCE-LD-16 Effectiveness of Full Council Meetings
 - DCE-L-02 Community Board Implementation
 - DCE-L-03 Community Board Funding
 - DCE-L-07 Community Safety Prevent
 - DCE-L-11 Managing the demand for Community Support Provision
 - DCE-L-13 Utilisation of Government Grants
 - DCE-L-14 Domestic Abuse Programme
- 2.11 The risks were discussed in detail, as well as the mitigating actions being challenged by the RMG.
- 2.12 A number of actions were identified during the RMG meetings, and progress against these actions will be monitored at the next RMG meeting in November 2021.
- 2.13 The Chairman thanked both the Children's Services and Deputy Chief Executive's directorates for attending the meeting and complimented them of the quality of the risk information presented to the RMG.
- 2.14 The Chairman and Vice Chairman of the RMG met with the Corporate Management Team in July to discuss improvements to the risk management process.
- 2.15 Actions arising from the meeting included:
1. Corporate Risk Manager to continue to work closely with Directorate Risk Champions to improve consistency with risk descriptions, scoring and presentation.
 2. Enhanced QA process by Corporate Risk Team before papers submitted to RMG.
 3. Head of Business Assurance to provide CMT with feedback/observations/concerns after each RMG meeting, with CMT response being presented to the following RMG.

4. Service Director – Corporate Finance (S151) to raise any new risks discussed at CMT meetings/briefings with the Head of Business Assurance for highlighting to RMG where appropriate.

3. Other options considered

3.1 This should include information on the pros and cons of each option.

4. Legal and financial implications

4.1 None.

5. Corporate implications

None

6. Local councillors & community boards consultation & views

6.1 N/A.

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 The next meeting of the Risk Management Group is on 8 November 2021.

9. Background papers

None

Audit and governance committee draft work programme

Meeting date	Topic	Contributors	External presentation (Y/N)
22-Jun	Whistleblowing Policy. Anti-Fraud and Corruption Policy. Anti-Money Laundering Policy. External Audit Update. Business Assurance Strategy (including Internal Audit Plan) 2021/ 2022. Risk Management Framework 2021/ 2022. Appointments to the Risk Management Group. Internal Audit Charter. Work programme.	Maggie Gibb Richard Ambrose	Iain Murray Grant Thornton
28-Jul	Buckinghamshire Council Audit Plan. Buckinghamshire Council Fee letter. Pension Fund Audit Plan. Update on External Audit Actions. Business Assurance Update. Treasury Management Annual Report 2020/21. IT Audit Needs Assessment. Risk Management Group update. Work programme. Contract Exemptions & Breaches.	Julie Edwards Cael Sendell-Price Simon James Maggie Gibb Richard Ambrose	Iain Murray Grant Thornton Martin Baird Mazars
29-Sep	Full Council Motion – Climate Change Risk Management. Pension Fund Statement of Accounts 2020/ 2021 and Pension Fund Audit Findings. Business Assurance Update. Risk Management Group update. Work programme.	Maggie Gibb Head of Business Assurance and Chief Auditor Julie Edwards Pension and Investments Manager Richard Ambrose Section 151 Officer, Service Director Corporate Finance	Iain Murray Grant Thornton
30-Nov	IT audit plan update (external presenter). Update on External Audit Actions. Full Council Motion – Climate Change Risk Management. Buckinghamshire Council Annual Report of the Chief Auditor 2020/ 2021. Buckinghamshire Council Annual Governance Statement 2020/ 2021. Buckinghamshire Council Statement of Accounts 2020/ 2021. Farnham Park accounts. Higginson Park Accounts. Business Assurance Update. Treasury Management mid-year update 2021/ 2022. Report on the Public Sector Audit Appointment (PSAA). Risk Management Group update. Work programme.	Tony Ellis Service Director IT Sarah Barnes Head of Customer Delivery & Governance Hasina Shah Expert Finance Systems Lead Paul Earley Principal Accountant Cael Sendell-Price Head of Strategic Procurement Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	Martin Baird Mazars (IT audit item). Iain Murray Grant Thornton

25-Jan	Treasury Management Strategy 2022/ 2023. Business Assurance Update. Contract Exemptions & Breaches (6 month update). Lessons learnt from other local authorities. Risk Management Group update. Work programme.	Julie Edwards Pension and Investments Manager Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
22-Mar	Buckinghamshire Council final audit report 2021/ 2022. Update on External Audit Actions. Business Assurance Update. Audit and Governance Committee annual report to council. Audit and Governance Committee Review of Effectiveness. Risk Management Group update. Work programme.	Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
11-May	Business Assurance Update. Risk Management Group update. Work programme.	Maggie Gibb Head of Business Assurance and Chief Auditor Richard Ambrose Section 151 Officer, Service Director Corporate Finance	
Tbc	Housing Fraud Strategy	Maggie Gibb Head of Business Assurance and Chief Auditor	



Exclusion of the Public

Recommendation:

To resolve that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item(s) of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.

Paragraph 3 Information relating to the financial or business affairs of any particular persons (including the authority holding that information).

Background papers

[Local Government Act 1972 Schedule 12A](#)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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