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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created on 9 Nov 2020

Grant Thornton

The Audit Findings for Buckinghamshire County Council

Year ended 31 March 2020

Draft as of 10 November 2020

Contents

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Buckinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. This includes impact on the Council's income, in all forms (Business Rates, Council Tax, Service Income from fees, charges and investment returns of all types) and an increase in expenditure in the form of additional costs in response to the pandemic, growth in demand, increases in the price from suppliers, as well as less tangible items such as delays to proposed savings plans as a result of staff being diverted to respond to immediate needs. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit when we issued the audit plan in June 2020. In that audit plan, we reported a financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 5. Restrictions for non-essential travel have meant both the Council and audit team had to make arrangements to carry out the audit remotely in a manner that is efficient and does not compromise the quality of audit work performed. These include remotely accessing financial systems, and video calling to check the completeness and accuracy of information produced by the entity. The Council published its draft financial statements at the end of August, meeting the revised statutory deadline but later than initially expected. Our audit started in early September 2020 and has progressed at a slower pace than planned both as a result of remote working and some challenges within the Council's finance team. Responses to our queries have been slower than we would have anticipated, and the quality of the initial evidence provided has not always been sufficient to close audit queries. We are working with management to ensure that these issues are resolved but there is a risk that our audit may not be completed in time to provide an opinion by 30 November 2020.
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 Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work is still underway. Our findings to date are summarised on pages 6 to 14. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. To date there are no matters of which we are aware that would require modification of our audit opinion. At the date of drafting this report work is still underway in the following areas: • Receipt of remaining evidence requested in relation to property plants and equipment, investment properties and the net pension liability; • Receipt of evidence requested as part of sample testing of revenue, expenditure, payables and debtors, cash, investments and payroll; • Review of the Annual Governance Statement and the Narrative Report; • Receipt of evidence relation of going concern; • Completion of VFM work on creation of the unitary council; • Manager and director review of audit work completed; • Receipt of management representation letter; • Review of the final set of financial statements; and • Whole of Government accounts consolidation pack audit procedures.

Headlines continued

Financial Statements (continued)		Our anticipated audit report opinion will be unqualified including Emphasis of Matter paragraphs which highlight the following disclosures in the financial statements: • Material uncertainties in respect of the valuation of land and buildings, investment properties and the Council's share of the property assets within the Buckinghamshire Local Government Pension Scheme. These uncertainties are as a result of the impact of the Covid-19 pandemic. • Disclosures in respect of local government reorganisation and the creation of the new unitary council from 1 April 2020.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have updated our VfM risk assessment throughout the audit, including our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to the Covid-19 pandemic. We have nearly completed our risk-based review of the Council's value for money arrangements. Our work is subject to final review by the engagement lead and submission to a consistency panel. We anticipate issuing a qualified 'except for' value for money conclusion, Our findings to date are summarised on pages 17 to 23. Our VfM work on the significant risk in respect of the creation of the unitary council is ongoing. We will update our conclusion on this significant risk once this work has been completed. We have concluded that Buckinghamshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources except for the matter we have identified in respect of children's services. This 'except for' qualification is consistent with the conclusion we reached in the prior year and stems from the current Ofsted rating of the service as 'inadequate'.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion and have completed our work on the Whole of Government Accounts (WGA) consolidation pack.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

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

We have not had to alter or change our audit plan, as communicated to you in June 2020.

Conclusion

Our audit of your financial statements is still underway. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting in November 2020. These outstanding items are outlined on page 3.

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.

Our assessment of materiality, performance materiality and trivial matters has been updated to reflect the draft financial statements, and so the figures differ slightly from those reported to you in our audit plan.

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

	Amount (£)
Materiality for the financial statements	14,657,000
Performance materiality	9,527,000
Trivial matters	733,000
Materiality for termination benefits	100,000

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Impact of Covid–19 The global outbreak of the Covid-19 pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We: • Worked with management to understand the implications the response to the Covid-19 pandemic had on the Council's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach; • Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose; • Evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic; • Evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; and • Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. **Findings** Our anticipated audit report opinion will be unqualified including Emphasis of Matter paragraphs which highlight disclosures in the financial statements in relation to material uncertainties in respect of the valuation of land and buildings, investment properties and the Council's share of the property assets within the Buckinghamshire Local Government Pension Scheme. These uncertainties are as a result of the impact of the Covid-19 pandemic.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
Revenues include fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	We reported in our audit plan that we had considered the risk factors set out in ISA240 and the nature of your revenue streams and had determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition as the majority of your income is derived from grants or formula-based income from central government and taxpayers; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Buckinghamshire County Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for your audit. Our assessment has not changed since we reported it to you in our audit plan.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance. We 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; • On a risk-based basis, 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 considered their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** Our findings are subject to completion of outstanding procedures. We will provide members with an update if there are further findings to bring to your attention.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary

Property - Valuation of land and buildings and investment property
The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£892m at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions.
Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2020 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.
The Council's investment property as 31 March 2020 was £187m.
We identified the valuation of land and buildings, particularly revaluations and impairments and investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.
	We:
	• Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
	• Evaluated the competence, capabilities and objectivity of the valuation experts;
	• Written to the valuers to confirm the basis on which the valuation was carried out;
	• Challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding;
	• Tested revaluations made during the year to see if they had been input correctly into the asset register;
	• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and
	• Engaged our own valuer expert, Montagu Evans, to provide commentary on:
	    • the instruction process in comparison to requirements from CIPFA/ IFRS / RICS; and
	    • the valuation methodology and approach, resulting assumptions adopted and any other relevant points.
	The valuer included in their report a material uncertainty paragraph with regards to the movement of property prices and valuations as a result of Covid-19. Given the magnitude of land and building valuations and investment property valuation to the balance sheet and the caveat made by the valuer in their valuation report, we will highlight the material uncertainty in our audit report, in Emphasis of Matter (EOM) paragraphs, drawing attention to the disclosure made in the statement of accounts.
	The EOM paragraph does not qualify the opinion but will refer to the matter of the disclosure on the material uncertainty stated by the valuer included in the final version of the accounts that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
	We identified that academies, which the Council derecognised from its non-current assets after the year end, have not been revalued in 2019/20. We challenged management to value these assets. Following this valuation, the derecognised academy assets resulted in a net valuation gain of £3.66million. This has been included on the unadjusted misstatement schedule on Appendix C.
	Our findings are subject to completion of outstanding procedures. We will provide members with an update if there are further findings to bring to your attention.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The pension fund net liability, as reflected in the Council’s balance sheet as the net defined benefit liability, represents a significant estimate in your financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£625m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We: • Updated our understanding of the processes and controls put in place by management to ensure that your pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • Assessed the competence, capabilities and objectivity of the actuary who carried out your pension fund valuation; • Assessed the accuracy and completeness of the information provided to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; in particular, reviewing the adjustments made as a result of the McCloud judgement and considering the impact of the ‘other experience’ adjustment arising from the updating of member data as part of the 2019 triennial actuarial update and • Requested assurances on the controls in place for Buckinghamshire Pension Fund surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Considered the impact of Covid-19 in the net assets statement. There will be an Emphasis of Matter paragraph included in the Buckinghamshire Pension Fund auditor’s report to highlight disclosures in respect of the material uncertainty in the valuation of property investments in the fund as a result of the Covid-19 pandemic. Given the Council’s share of the pension fund’s property investments is significant, their valuation is of sufficient magnitude on the net pension fund liability that it is fundamental to users’ understanding of the financial statements. We will therefore include an Emphasis of Matter (EOM) paragraph, drawing attention to the disclosure made in the statement of accounts. The EOM paragraph does not qualify the opinion. The draft financial statements did not include disclosures in respect of this matter, and we have asked that management include sufficient disclosure in the final version of the financial statements. A recommendation to this effect is included in Appendix A. Our findings are subject to completion of outstanding procedures. We will provide members with an update if there are further findings to bring to your attention.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	In our review of the Council's accounting policies we identified that the disclosure in relation to IFRS 16 is appropriate. **Recommendation** In finalising assessment of the impact of IFRS 16, in preparation for its implementation, the Council must ensure completeness of the assessment of leases so that all relevant leases are included in the assessment.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
PPE and Investment Property - Valuation of land and buildings	The Council owns a variety of land and buildings, the carrying amount of which amounted to £892m 31 March 2020. The Council values its land and buildings at existing in use value, except for those which are of a specialised nature, such as schools, which are valued at depreciated replacement cost. The Council engaged Carter Jonas to value its land and buildings. The Council requests the valuers to revalue all land and buildings over a five-year period and assets valued during the year are valued as at 31 December. In addition the Council has investment properties valued at £187m at 31 March 2020. Investment properties are valued at highest and best use. The Council engaged Cushman and Wakefield to value its investment properties. All investment properties are revalued annually as at 31 March. In line with RICS guidance, the Council's valuers disclosed material uncertainties in the valuation of the Council's investment properties and land and buildings at 31 March 2020 as a result of the Covid-19 pandemic. The valuation of properties valued in year by the valuer has resulted in a net increase of £62m. Management has considered the year end value of non-valued land and buildings, and the potential valuation change in the assets revalued at 31 December 2019 by applying BCIS indices provided by Carter Jonas to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value. The total year end valuation of other land and buildings was £892m, a net increase of £21m from 2018/19 (£871m).	We have assessed the Council's valuers to be competent, capable and objective. The valuation methods remains consistent with the prior year. In 2019/20 the Council has revalued all assets with net book value above £10m and 20% of total assets with net book value less than £10m. This is a change in approach from previous years. Other work commenced in this area includes: • completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate; • consistency checking of the estimate against the Gerald Eve report, testing of floor areas and reasonableness of the increase in the estimate; and • agreeing the valuation report to the Fixed Asset Register and to the Statement of Accounts. The draft financial statements do not include sufficient disclosure which reflects the material valuation uncertainty in relation to Covid-19 and its impact on the year end valuation of land and buildings and investments properties. We have made a recommendation to management to include sufficient disclosure in the accounts. This has been included in Appendix A. During our review of the schools converted to academies, we confirmed with management that all the academies converted during 2019/20 were not revalued. The academies have since been revalued and the impact to the balance sheet is £3.66m. As the difference is below performance materiality level, it has been taken to statement of unadjusted misstatement schedule on Appendix C. We will update our assessment of this estimate once the outstanding work has been completed.	**TBC**

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Significant findings – key estimates and judgements continued

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability - £625m	The Council's net pension liability at 31 March 2020 is £625m (PY £763m) comprising the Council's share of the net liabilities of the Buckinghamshire County Council Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has reduced by £138m during 2019/20.	We: • Assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective; • Performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise; • Used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	GREEN

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35%	2.35%	●
Pension increase rate	1.90%	1.95% -1.85%	●
Salary growth	2.90%	2.85%	●
Life expectancy – Males currently aged 45 / 65	Pensioners: 21.8 years Non-pensioners: 23.2 years	Pensioners: 21.4 – 23.3 years Non-pensioners: 22.8 – 24.7 years	●
Life expectancy – Females currently aged 45 / 65	Pensioners: 25.1 years Non-pensioners: 26.5 years	Pensioners: 23.7 – 24.7 years Non-pensioners: 25.2 – 26.2 years	●

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Significant findings – key estimates and judgements continued

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability - £625m		• As part of the procedures we undertook to review the actuarial assumptions, we performed additional procedures, in particular reviewing the adjustments made as a result of the McCloud judgement and considering the impact of the 'other experience' adjustment arising from the updating of member data as part of the 2019 triennial actuarial update; • Confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate; • Confirmed there were no significant changes in 2019/20 to the valuation method; and • Conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. Our work confirms that the increase in the IAS 19 estimate is reasonable. Subject to the successful completion of the outstanding procedures above, there are no issues to bring to your attention	**GREEN**

Assessment

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

Significant findings – going concern

Our responsibility

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

Going concern commentary	Auditor commentary
Management's assessment process The Council’s accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.	We have subjected the 2020/21 budget, medium term financial plan to 2022/23 and cash flow forecast to March 2021 to detailed scrutiny and reviewed the planned savings proposals for 2020/21 and 2021/22 in our consideration of the appropriateness of management’s use of the going concern assumption. In 2020/21 the Council expects to achieve a balanced budget, noting additional costs/loss of income due to Covid-19 plus savings shortfall. The forecast revenue outturn for quarter 2 of 2020/21 is an overspend of £4.9m. Additional funding from central government for income loss will reduce this overspend but at this point in time it is unclear how much of Covid-19 related costs will be met by central government. If central government does not meet all Covid-19 related costs the Council will need to meet the costs by utilising its reserves. However, the Council’s reserves position is relatively strong, and should provide sufficient resilience to offset any pressure which are not met in the short term. Our work in this area is ongoing as we have asked management to extend the cashflow to December 2021 which will allow 12 months from the date of the signing the final version of the financial statements. We have also asked management for a sensitivity analysis of the cashflow which will show the impact of changing scenarios on the Council’s income and expenditure over the period which management going concern assessment covers. **Conclusion** The Council’s reserves position is sufficient to meet any pressures currently identified in its financial plans. The Council’s general fund reserve as per the quarter 2 budget monitoring report is £45m. Buckinghamshire Council is in a much stronger financial position than many councils of similar size. The Council has included Events after the Reporting Period disclosure in the Statement of Accounts in relation to the impact of Covid-19. Subject to the satisfaction resolution of the outstanding queries, we have not identified any material uncertainty about the Council’s ability to continue as a going concern.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the both the former Regulatory and Audit Committee at the County Council and the Audit and Governance Committee at Buckinghamshire Council as the successor body. We have not been made aware of any material 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 Council. This is a draft letter and further changes may be made to it. We are not requesting that the letter be signed until closer to the completion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to third parties with whom the Council has cash, loans and investments. We are waiting for one confirmation from Lloyds Bank.
Disclosures	Our work in this area is on going.
Audit evidence and explanations/significant difficulties	Our work is on going. To date management have agreed to provide all information and explanations requested.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work in this area is on going.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit. • If we have applied any of our statutory powers or duties. Our work in this area is on going.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet been completed as we await final guidance from the NAO as group auditor on the procedures to be completed this year.
Certification of the closure of the audit	Subject to completion of the specified procedures for Whole of Government Accounts, we intend to certify the closure of the 2019/20 audit of Buckinghamshire County Council in the audit opinion.

Value for Money

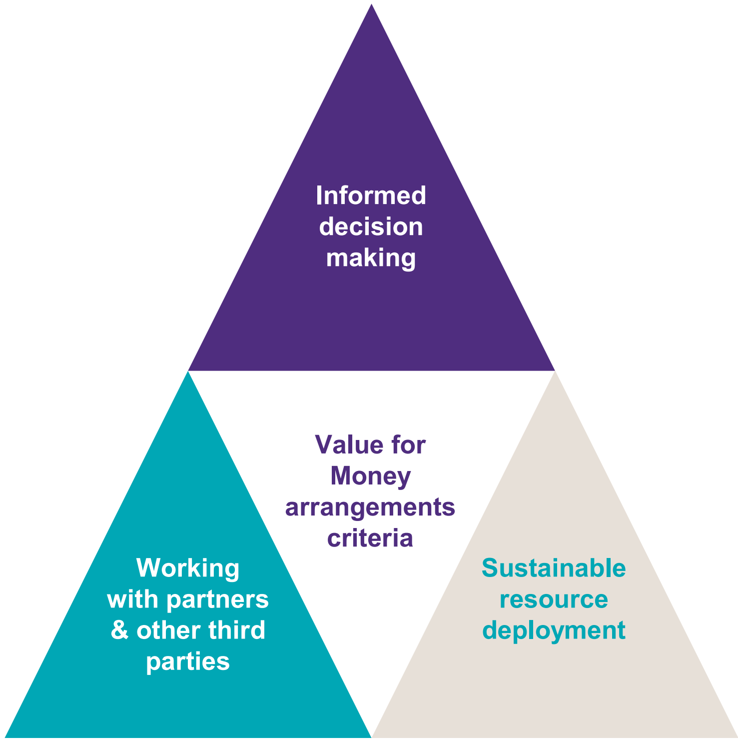
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in April 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in June 2020.

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

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

Ofsted inspection of children’s services

Ofsted issued a report on your children’s services in January 2018 which gave you a rating of ‘inadequate’. The two further monitoring visits performed by Ofsted in 2018 provide evidence that progress is being made, but there is still work to be done.

- We will review progress made in addressing the issues raised in the re-inspection reports issued by Ofsted after their two further monitoring .
- We will also consider your performance against your internal objectives and targets in delivering a safe and reliable children’s services.

Financial Pressures

In light of the increasing funding pressures that you face, there is a risk that you will not be able to generate new revenue streams or deliver savings of sufficient scale to maintain a balanced budget over the period covered by the Medium-Term Financial Plan. The demand and uncertainty over some revenue streams created by the COVID-19 pandemic adds to this risk.

We will review recent performance against the budget and considered the reasonableness of the assumptions in the Medium-Term Financial Plan new for the new Unitary Authority. We will consider how these have been effected and updated by the COVID-19 pandemic.

Implementation of the new Unitary Authority

In April 2020, your services and those of the four Buckinghamshire district councils transferred to a new unitary authority, Buckinghamshire Council.

The start of the new Council has coincided with the outbreak of the COVID-19 pandemic and this has been an area of focus for the new authority. We will review arrangements for the transition to unitary status and the impact that of the COVID-19 pandemic on those plans.

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council’s 2019/20 financial outturn;
- The robustness of the Council’s 2020/21 budget and Medium-Term Financial Strategy and the demand and uncertainty over some revenue streams created by the Covid-19 pandemic.
- The level and stability of the Council’s usable reserves.
- Progress made in addressing the issues raised in the reinspection reports issued by Ofsted after their two further monitoring visits.
- Performance against your internal objectives and targets in delivering a safe and reliable children’s services.
- Arrangements for the transition to unitary status and the impact that of the Covid-19 pandemic on those plans.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 to 23.

Overall conclusion

We have substantially completed our work on two of the three significant risks identified. Our work with respect to the Creation of the Unitary Authority and its financial impact is outstanding.

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money findings

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk: Financial resilience

The risk as identified in our 2019/20 Audit Plan

In light of the increasing funding pressures that the Council faces, there is a risk that the Council will not be able to generate new revenue streams or deliver savings of sufficient scale to maintain a balanced budget over the period covered by the Medium-Term Financial Plan. The demand and uncertainty over some revenue streams created by the COVID-19 pandemic adds to this risk.

We have reviewed recent performance against the budget and considered the reasonableness of the assumptions in the Medium-Term Financial Plan new for the new Unitary Authority. We have considered how these have been effected and updated by the Covid-19 pandemic.

Findings

2019/20 Financial outturn

In a year where March saw the outbreak of the Covid-19 pandemic, the Council has performed well to achieve an underspend of £0.53m against its revenue budget in 2019/20. There has continued to be pressures on the demand-led budgets for children's social care, education and skills, and health and wellbeing, which overspent. However, the Council was able to make savings in other areas, such as corporate costs, planning and environment helped to deliver the overall underspend. As a result of the outturn position, the General Fund balance for the County Council was £30m at 31 March 2020.

There was an overall underspend/slippage of £5.46m (5.9%) on the 2019/20 Capital Programme. The main variance was within the Education and Skills portfolio, this was mainly due to slippage on primary and secondary school places projects caused by delays on land purchases and building delays.

The County Council ceased to exist on 31 March 2020 and as such its existing revenue and capital budgets were consolidated with that of the four district authorities in Buckinghamshire to form the revenue and capital budgets for the new unitary authority Buckinghamshire Council.

Value for Money findings continued

Significant risk: Financial resilience continued

Medium Term Financial Plan

Buckinghamshire Council, the new unitary authority, formally began operating on 1 April 2020. The start of the Council coincided with Covid-19 lockdown conditions. On 27 February 2020, the Shadow Authority agreed a medium-term financial plan for the financial years 2020/21 to 2022/23 which was balanced in all three years. A capital programme totalling £501m was also agreed for the same 3 years. The budget was the amalgamation of the existing revenue budgets and capital programmes of the five-predecessor councils. Within this budget are contingency budgets, which are held both to mitigate future budget risks, and to fund future pay increases. The opening General Fund balance for the Council is expected to be £45.1m, dependent on the financial performance of the predecessor councils in 2019/20. This represents 10.4% of the net operating budget, or 3.8% of the gross budget.

Since then, the country has been in the throes of the Covid-19 pandemic, which has not only created additional pressures in the current financial year but has increased both the impact and likelihood of the risks which were highlighted in the MTFP agreed in February 2020 and has given rise to new risks.

The Government has partially recognised the financial challenges faced by local authorities in respect of Covid-19 and in March and April 2020 allocated two tranches of central funding which totalled £3.2 billion nationwide. Buckinghamshire Council's share of this funding amounted to £25.6m. A further package of measures was announced in July 2020 with the Council eligible to receive a further £3.5m in grant funding. The Government recently announced proposals to fund 75% of 95% of lost budgeted fees and charges income for local authorities, which can unavoidably not be recovered in 2020/21 and are not already offset by other support. The guidance provided by MHCLG makes clear however, that this does not include investment income or commercial rents, and only covers income directly related to the provision of services. Management's best estimate is that the Council will receive around £10.5m of compensation from the scheme against losses of £16.0m by March 2021.

The Government announced the re-phasing of repayments to meet Collection Fund deficits accrued in 2020/21 over three years rather than one. This will be beneficial to the Council in the short-term due to anticipated significant reductions in income, particularly relating to Business Rates in 2020/21.The expected impact of the unfunded pressures (£2.6m) is therefore delayed until 2021/22.

The Council is currently working on plans to extend the medium-term financial plan to 2024/25 and has developed three scenarios in order that the potential scale of any funding gap can be modelled. These are a "current best estimate model", a "low impact" and a "high impact" model.

The key areas included in the modelling are:

- Council Tax, including deficits carried forward from 2020/21, based on a potential reduced collection rate and slower growth;
- The continuation of the Adult Social Care Precept;
- Business Rates deficits, carried forward from 2020/21 and potential reduced receipts in future years from lower uplifts and business failures;
- Loss of income in service budgets due to post-Covid-19 impact;
- Unavoidable growth including rebasing adult social care growth, the existing budget pressures in home to school transport and a provision for a 2% pay award in 2023/24 and 2024/25; and
- The potential to review the timing of the balance of Unitary savings due to be delivered outside the previous MTFP period are added in 2023/24 and 2024/25.

Value for Money findings continued

Significant risk: Financial resilience continued

2021/22 Budget

The Council is currently focused on developing plans to deliver a balanced the budget for 2021/22 and develop outline plans for the remainder of the MTFP period. The Council identified a budget gap for 2021/22. The Council's financial strategy to close the budget gap is as follows:

- Continue to lobby for all current and future Covid-19 costs and lost income to be fully compensated by Government through the Comprehensive Spending Review and Local Government Finance Settlement;
- A review of corporate contingency budgets has been undertaken and some opportunities to reduce these identified, including National Living Wage, Redundancy Pot in and Pension Costs;
- Changing the assumption of council tax receipt;
- A target of savings from increased home working, including travel, mileage clams, printing and utility costs;
- Other savings identified across some directorates; and
- Transferring some General Fund Reserves to an Earmarked Reserve in 2021/22 to further protect the Council against economic uncertainties.

Review of 2020/21 Budget outturn

In the report to Cabinet on 10 November 2020, the forecast revenue outturn for quarter 2 of 2020/21 is an overspend of £4.9m, The forecast Capital outturn is £174.7m, representing slippage of £15.7m. This is an increase of £10.5m from the £5.2m reported at Quarter 1. Overall directorate budgets are forecast to overspend by £47.4m. £41.8m of the current overspend is due to additional costs and lost income as a result of Covid-19. Corporate & Funding are forecast to underspend by £42.5m, due to an estimated £39.6m of additional un-ringfenced grant income from central government in response to Covid-19.This comprises £29.6m of un-ringfenced grants to cover expenditure pressures and an estimate of £10.5m of grant income from the Sales, Fees and Charges lost income compensation scheme. This gives a net overspend of £4.9m.

Whilst Buckinghamshire Council is clearly experiencing pressures both in business-as-usual budgets and as a result of the Covid-19 pandemic, the Council currently holds £45m of General Fund Reserves. The Council's level of reserves is sufficient to address difficulties in its financial position when measured against the best estimate scenario which the Council is currently modelling, this reflects existing pressures exacerbated by the impact of the pandemic. However if the situation moves closer to the worst-case scenario the Council will find that its reserves may not be sufficient in the medium to long term.

Conclusion and Auditor view

Overall, as the reserves position shows, Buckinghamshire Council is maintaining its general fund reserves at a good level. It is overall one of the better placed councils to survive the challenges faced in respect of LG finances and the financial impact of Covid-19. We believe the significant risk of financial pressures is mitigated

Value for Money findings continued

Significant risk: Ofsted inspection of children’s services

The risk as identified in our 2019/20 Audit Plan

Ofsted issued a report on your children’s services in January 2018 which gave you a rating of ‘inadequate’. Two further monitoring visits performed by Ofsted in 2018 provide evidence that progress is being made, but there is still work to be done.

We reviewed progress made in addressing the issues raised in the re-inspection reports issued by Ofsted after their two further monitoring visits. We also considered your performance against your internal objectives and targets in delivering safe and reliable children’s services.

Findings

Since the inspection report issued in January 2018, the Council has had four Ofsted monitoring visits, the latest two of which were carried out in May 2019 and October 2019. The report for the fourth monitoring visit was issued to the Council in December 2019 and concluded:

“There is evidence of limited improvements having been made to services for children in care since the last inspection. Work to improve the availability of local placements for children is beginning to deliver results. Independent reviewing officers now maintain greater oversight of children’s plans. However, poor practice remains, which continues to have a negative impact on the timely progression of children’s plans and prevents some children from achieving timely permanence.”

The Council’s next monitoring visit was due to take place in May 2020 but was suspended due to the Covid-19 pandemic, inspections will not recommence until 2021. The Council was able to deliver its annual social care and education presentation to the Ofsted Regional Director virtually and in response Ofsted recognised the high level of activity and improvement in some key performance indicators (KPIs), such as the timeliness of initial assessments and initial child protection conferences. The Council has made notable progress since the last inspection, increasing the number of children with the Council’s foster carers, reducing the number of children placed with parents under court orders, and increasing the number of children staying with their carers by 20%.

Prior to Covid-19, the Council had expected that its next full inspection would take place from July 2020 onwards, but this will now be delayed due to the Covid-19 pandemic. The Council anticipates that on re-inspection it will no longer be inadequate. Latest KPIs and audits carried out by the Council’s improvement advisers in Hampshire County Council show that children in Buckinghamshire are not in unsafe conditions and quality issues in children’s services are not significant or widespread.

The Council’s Children’s Services Improvement Board is Chaired by the DfE appointed Improvement Adviser from Hampshire County Council. The Improvement Board maintains oversight of the Council’s progress against the Children’s Services Improvement Plan in which progress in each area is RAG-rated.

Review of the Improvement Plan movement from November 2019 to October 2020 shows a good direction of travel and supports the view that any failings are not significant or widespread.

Value for Money

Significant risk: Ofsted inspection of children's services continued

Impact of Covid-19 on children's services

The Covid-19 pandemic had significant impact on statutory children's services. Protecting children and improving vulnerable children's outcomes rely on direct, face-to-face interactions. During lockdown social worker visits to children had to stop unless there were extreme extenuating circumstances. The service took a number of proactive steps to ensure children were kept safe, and to protect the most vulnerable, including:

- daily video call meetings with managers and teams;
- setting minimum standards for conducting virtual visits to families; and
- a comprehensive audit and dip sampling process to clearly understand the work of the service in the high risk environment.

During the lockdown period over 96% of cases had contact with a social worker every 4 weeks, 79% of which were conducted virtually.

Since the start of the pandemic children's services has maintained close oversight of performance, monitored through weekly reporting and virtual team contact. This coupled with the robust quality assurance programme has provided team-level information on the strength of work within the service, ensuring standards are maintained and that children and young people are protected.

The Council has seen a 71% increase in referrals during the period, compared to the prior year, putting considerable pressure on the service. The complexity of cases being referred, usually with families not previously known to the Council, is worrying and potentially a direct consequence of the pandemic. To manage additional demand resources have been reorganised and additional agency staff employed.

There have been a number of lessons learnt during the pandemic. For example, for some specific cohorts of children and young people the use of virtual contact was well-received and enabled social workers to form stronger relationships with individuals. The service will continue to allow virtual contact with some children and young people in very specific and well-managed circumstances. During the pandemic geographical teams have worked more closely to share information and best practice as virtual meetings allow team managers to check in with teams more frequently. A children's services staff survey in July 2020 was very positive, with 88% of staff reporting that they felt supported and happy to work in the County. This is reflective of the time and resource invested to support staff during the pandemic, including heads of service having daily touch down meetings at the start of lockdown ensuring teams had better connections with managers.

The response to the pandemic and the fact that the service has remained stable is testament to the improvements made during the Council's Ofsted Improvement Journey. Since the Ofsted report in January 2018 the service has endeavoured to put in place heads of services and team managers who understand what 'good' looks like and put quality and child safety at the forefront.

Conclusion and Auditor view

The Council has continued to make progress in its Ofsted Improvement Journey to address the issues raised by Ofsted in its 2018 re-inspection report. The two monitoring visits in 2019 demonstrate that progress has continued, and the Council has the political and financial support needed to invest in its children's services. Recruitment continues to be the Council's main challenge as high reliance on agency staff creates a lack of stability in the workforce and impacts on the consistent application of good practice.

Ofsted's 'inadequate' rating of children's services remains in place and we propose an 'except for' qualification of our value for money conclusion in respect of Ofsted's inspection of children's services. We do however recognise the improvements made by the service and the continued positive direction of travel.

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.

	Fees £	Threats identified	Safeguards
Audit related			
Teachers Pensions certification (in respect of 2019/20)	7,500	Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £7,500 in comparison to the total scale fee for the audit of £92,066 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. The perceived self-review threat is mitigated by the fact that we have already performed sufficient work in respect of teachers pension entries in the financial statements as part of our audit. The perceived management threat is mitigated by the fact that the Council has informed management in place who make their own decisions on whether any changes are to be made to the entries on the return.

These services are consistent with your policy on the allotment of non-audit work to your auditors. All services have been approved by the S151 Officer.

None of the services provided are subject to contingent fees.

Action plan

We have identified two of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2020/21 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
Medium	**IFRS 16 implementation has been delayed by one year** In our review of the Council's accounting policies we confirmed that the disclosure in relation to IFRS 16 is appropriate. The implementation of the new standard is due to come in to effect in 2020/21 and will require significant preparatory work.	In finalising assessment of the impact of IFRS 16, in preparation for its implementation, the Council must ensure completeness of the assessment of leases so that all relevant leases are included in the assessment. **Management response** TBC
Medium	**Going Concern** Management has provided us with a cashflow up to 31 March 2021 to support their going concern assessment. ISA (UK) 570 confirms that there is an expectation that management will have considered a period of a minimum of 12 months from the date of approval of the financial statements. It states: "*If the period to which those charged with governance have paid particular attention in assessing going concern is less than one year from the date of approval of the financial statements, and those charged with governance have not disclosed that fact, the auditor shall do so within the auditor's report*". Therefore, if management's assessment does not cover a period of 12 months from the expected date of the auditor's opinion, they should be asked to extend their assessment to cover this period.	We have asked management to extend the cashflow to December 2021 which will allow 12 months from the date of the signing the final version of the financial statements. We have also asked management for a sensitivity analysis of the cashflow which will show the impact of changing scenarios on the Council's income and expenditure over the period which management going concern assessment covers. **Management response** TBC

Controls

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

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Public

Follow up of prior year recommendations

We identified the following issues in the audit of Buckinghamshire County Council's 2018/19 financial statements, which resulted in 5 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and we are awaiting management response on the actions taken to address the issues identified.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	As a result of challenges made during the audit, further work was needed by management and its external valuers in respect of the valuation of property, plant and equipment. Management should: • revisit its strategy for revaluing property, plant and equipment, which should involve reconsidering the intervals at which assets are revalued and the dates at which valuations are performed and considering whether different approaches are needed for different classes of assets; • consider approaches taken by other local authorities to this issue and identify good practice which would be suitable for application by Buckinghamshire County Council; and • review the finance team's capacity to address the valuation issues identified and to respond promptly and adequately to future audit queries.	Our work in this area is ongoing
TBC	Our testing identified several journals which were not authorised in line with the Council's procedures prior to them being posted. The risk is that erroneous journals are posted which results in material misstatement of the Council's financial statements. Management should reissue clear guidance to all officers that post journals which sets out the Council's journal authorisation procedures. Management should then monitor application of these procedures and take appropriate action if individual officers do not act in accordance with them.	Our work in this area is ongoing

Assessment

✓ Action completed

X Not yet addressed

DRAFT

Public

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	The Council identified an immaterial error in the prior year statements in respect of the Movement in Reserves Statement. This error should have been corrected within the 2018/19 financial statements but was corrected through an adjustment to opening balance. Management should ensure that they put processes in place to correctly account for all transactions that affect the Movement in Reserves Statement.	Our work in this area is ongoing
TBC	Our testing found that there were 144 assets for which depreciation had been calculated manually. Testing found that for each of these assets the useful expected life (UEL) of the asset was incorrect by 1 year, which resulted in an incorrect depreciation charge. Management should ensure that manually depreciated assets are depreciated using the correct UEL by putting controls in place to ensure that the depreciation charge and UELs are checked before the charge is entered into the ledger.	Our work in this area is ongoing
TBC	Note 29 of the 2018/19 discloses transactions in respect of the Better Care Fund (BCF). This note discloses expenditure incurred in respect of the BCF by district councils of £3,231k. The Council has passed these funds on to the district councils but does not have any controls in place to ensure that the district councils have used these funds for the BCF. The Council should put arrangements in place which enables them to obtain assurance from the district councils that funding provided in respect of the BCF has been used for that purpose.	Our work in this area is ongoing

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

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	Detail	Auditor recommendations	Adjusted?
Note 30 Leases	The Council has investment properties on lease which were erroneously omitted in the lease disclosures. Therefore, in the operating lease disclosure note, the income amount which was disclosed for ‘Not later than one year’, ‘Later than one year and not later than five years’ and ‘Later than five years’ were all understated by an aggregate of £55m (2018-19: £60m) which is material to the current year accounts and in the prior year comparator.	The investment properties on lease should be included in the lease disclosure. **Management response** Agreed. Will be adjusted in next version of draft accounts.	✓
Cash Flow Statement	When we agreed cash flow statement to other financial statements and workings, we found there was a small variance (£485k) between the figures of purchase of PPE, IP and IA in the main cash flow statement and Note 28.	The figures in the cashflow should tie up with Note 28. **Management response** Agreed. Will be adjusted in next version of draft accounts	✓
Cash Flow Statement	The Code of Practice on Local Authorities Accounting requires Local Authorities to disclose interest paid and received in Cash Flow Statement. 'Note 28.1 - Cash Flow from Operating Activities' does not disclose these two lines.	Recommended adjustment in Note 28.1 to disclose these two lines. **Management response** Agreed. Will be adjusted in next version of draft accounts.	✓
Note 14 Defined Benefit Pension Schemes	Discretionary Benefits: This has resulted in a prior period adjustment (see Note 31) which relates to 2017/18.	To be taken out as this relates to 17/18 not to comparative year. **Management Response** Agreed. Will be adjusted in second draft accounts.	✓
Note 14 Defined Benefit Pension Schemes	Other defined benefit plan information in the draft financial statements relate to the prior year. It needs to be updated with the current year information.	This is for PY to be updated with CY figures per actuary's report. **Management Response** Agreed. Will be adjusted in second draft accounts.	✓
Note 14 Defined Benefit Pension Schemes	Sensitivity analysis does not agree to actuary’s report.	To redo based on BW report. **Management Response** Agreed. Will be adjusted in second draft accounts.	✓
Note 14 Defined Benefit Pension Schemes	Salaries are assumed to increase at 3.9% per annum until 31 March 2021 and continue at the same rate per annum thereafter.	Change percentage from 3.9% to 2.9% in line with BW report. **Management Response** Agreed. Will be adjusted in second draft accounts.	✓

Audit adjustments

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	Detail	Auditor recommendations	Adjusted?
Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	Note - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty: The valuer included in their report a material uncertainty paragraph with regards to the movement of property prices and valuations as a result of Covid-19. Given the magnitude of the PPE valuation to the balance sheet and the caveat made by the valuer in their valuation report, we recommend disclosures are updated in the statement of accounts to highlight the material uncertainty in relation to the valuation of land and buildings and investment properties as at 31 March 2020. There is likely to be an emphasis of matter paragraph in respect of the effects of the Covid-19 pandemic on the valuation of property investments in the Buckinghamshire Pension Fund auditor's report . Given the magnitude of the pension fund property investments valuation to the Council's pension fund assets and the net pension fund liability we recommend disclosures are updated in the statement of accounts to highlight the material uncertainty in relation to the valuation of pension fund property investments as at 31 March 2020.	We recommend disclosures are updated in the statement of accounts to highlight the material uncertainties in relation tot he valuation of: • land and buildings; • investment properties; and • pension fund property investments as at 31 March 2020. **Management response** Agreed. Will be adjusted in next version of draft accounts.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Valuation of academies During our review of land and buildings we identified with management that schools converted to academies in 2019/20 were not revalued prior to disposal. This means that loss on disposal for these assets is understated in the CIES by £3.66m. As this adjustment is reversed out of the General Fund it has no impact on the Council's reported financial position at year end.	(£3,659)	£0	£0	As the difference is not material it will not be adjusted.
Overall impact	**-£3,659**	**£0**	**£0**	

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Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£92,066	TBC
Total audit fees (excluding VAT)	**£92,066**	**TBC**

The fees reconcile to the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Agreed upon procedures in respect of the Teachers' Pension Scheme	£7,500	TBC
Total non- audit fees (excluding VAT)	**£7,500**	**TBC**

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