Grant Thornton

The Annual Audit Letter for Buckinghamshire County Council and Buckinghamshire Pension Fund

Year ended 31 March 2020

March 2021

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Buckinghamshire County Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on 18 November 2020.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £14,657,000, which is 1.5% of the Council's gross expenditure. We determined materiality for the audit of the Pension Fund's financial statements to be £29,137,000 which is 1% of the Pension Fund's net assets.
Financial Statements opinion	We gave an unqualified opinion on the Council's and the Pension Fund's financial statements on 18 December 2020. We included an emphasis of matter paragraph in our auditor's report in respect of the uncertainty over valuations of the Council's land and buildings and investment properties and the property assets of its pension fund given the Coronavirus pandemic. An emphasis of matter paragraph was also included in our auditor's report for the Pension Fund financial statements. This does not affect our opinion that the statements give a true and fair view of the Council's and the Pension Fund's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	Our work on the Council's consolidation return is still outstanding. There are several queries which need to be resolved by management before we can complete this work.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for for the matter we identified in respect of Ofsted's inspection children's services. We therefore qualified our value for money conclusion in our auditor's report to the Council on 18 December 2020.
Certificate	We are unable to certify that we have completed the audit of the financial statements of Buckinghamshire County Council until we have completed our audit of the Whole Government Accounts.

Working with the Council

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 was efficient and did not compromise the quality of audit work performed. These included 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 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 were slower than we anticipated, and the quality of the initial evidence provided was not always sufficient to close audit queries. We worked with management to ensure that these issues were resolved but they have meant that the audit was not completed in time to provide an opinion by 30 November 2020.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
March 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £14,657,000, which is 1.5**%** of the Council's gross expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for termination benefits of £100,000.

We set a lower threshold of £733,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

We determined materiality for the audit of the Pension Fund's financial statements to be £29,137,000 which is 1% of the Pension Fund's net assets.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
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.	As part of our audit work 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	We issued an unqualified audit report opinion 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.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions

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 as 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.
	As part of our audit work 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 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 Council's 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, building and investment property valuations to the balance sheet and the caveat made by the valuer in their valuation report, we highlighted the material uncertainty in our audit report, in Emphasis of Matter (EOM) paragraphs, drawing attention to the disclosure made in the statement of accounts.
		
		We identified that academies, which the Council derecognised from its non-current assets after the year end, were 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. We recorded this as unadjusted misstatement in the audit findings report.
		
		During the investment property testing, we identified that a number of assets were excluded from the fixed assets register. The Council believed these assets have been fully disposed off but were valued by the Council's valuer. In addition to this, one asset was omitted in error from revaluation entries. These total an adjustment of £2,682k which was partially adjusted for in the final version of the financial statements, £798k was adjusted for and £1,844k remains as an unadjusted misstatement.
		
		We recorded this as unadjusted misstatement in the audit findings report.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management override of internal 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.	As part of our audit work we completed; • 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.	There are no material issues arising to draw to the attention of those charged with governance in respect of this risk.
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 did not consider this to be a significant risk for your audit. Our assessment did not change during the audit.	There are no material issues arising to draw to the attention of those charged with governance.

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
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.	As part of our audit work 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 is an Emphasis of Matter paragraph 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. We included the 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, Management updated the final version of the financial statements to include sufficient disclosures in relation to the material uncertainty referred to above. There are no other material issues arising to draw to the attention of those charged with governance in respect of the identified risk.

Pension Fund Significant Audit Risks - Continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
The revenue cycle includes fraudulent transactions (rebutted) 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.	As communicated in our Audit Plan, we have rebutted this risk. We have made no changes to this assessment.	Our audit work did not identify any issues in respect of material misstatement due to fraud relating to revenue recognition.
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 did not identify any issues in respect of management override of controls.

Pension Fund Significant Audit Risks - Continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
The valuation of Level 3 investment 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 (£154 million as at 31 March 2020) 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 2020. We therefore identified valuation of Level 3 investments as a significant risk.	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 2020 with reference to known movements in the intervening period.	Brunel declared a material valuation uncertainty in their Infrastructure assets with a value of £3,601k as at 31 March 2020 due to the impact of COVID-19 19. We included an emphasis of matter in the auditor's report on the financial statements of Buckinghamshire Pension Fund in respect of the effects of Covid-19 on the valuation of property investments. Our audit work did not identify any other issues in respect of the valuation of Level 3 investments other than the above.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 18 December 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in August, meeting the revised statutory deadline but later than initially expected. Our audit started in early September 2020 and 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 were slower than we would have anticipated, and the quality of the initial evidence provided was not always been sufficient to close audit queries. We have worked with management to ensure that these issues were resolved but they have meant that the audit was not be completed in time to provide an opinion by 30 November 2020.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Governance Committee on 18 November 2020.

In addition to the key audit risks reported above, we identified the issues reported in Appendix A which we have asked the Council's management to address for the next financial year.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in December.

The narrative report was prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

From our review of the annual governance statement, we noted that it was not very clear, how the Council has complied with the core and sub principles under the code. In addition, the key elements of the systems and processes that comprise the Council's governance arrangements were not clearly disclosed within the AGS.

We have included a control point for this in Appendix A.

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Buckinghamshire Pension Fund on 18 December 2020. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit and Governance Committee on 18 November 2020.

In addition to the key audit risks reported above, we identified the issues reported in Appendix B during our audit that we asked management to address for the next financial year.

Whole of Government Accounts (WGA)

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.

Our work on the consolidation return is still outstanding. There are several queries which need to be resolved by management before we can complete this work.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Buckinghamshire Council until we complete our work in relation to WGA.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matter we identified overleaf, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

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Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan - Significant Risk - Financial Resilience

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.

How we responded to the risk

As part of our work, 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 affected and updated by the Covid-19 pandemic.

Findings and conclusions

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 conclusion

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 estimates a budget gap of £8.8million in 2021/22. The Council's financial strategy to close the budget 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

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

The risk as identified in our Audit Plan - Significant risk: 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'. Two further monitoring visits performed by Ofsted in 2018 provide evidence that progress is being made, but there is still work to be done.

How we responded to the risk

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 and conclusions

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%.

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 move from the current 'inadequate' rating and be on a trajectory to a rating of 'good'. 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 reorganized 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

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 services and the continued direction of travel towards a 'good' rating.

Value for Money

Risks identified in our audit plan - Significant risk: 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.

How we responded

We reviewed arrangements for the transition to unitary status and the impact of the COVID-19 pandemic on those plans.

Findings and Conclusions

Transition

Buckinghamshire Council came into existence on 1 April 2020 in unique and unexpected circumstances, with all efforts focused on dealing with the Covid-19 pandemic. The fact that the Council was able to successfully and smoothly transition to Unitary as planned, without delay, during the pandemic is testament to the strong project management in place for the implementation.

A transition plan was agreed by all legacy authorities in June 2019 and underpinned by preliminary work to baseline the Council's corporate service areas. The Council opted to use existing resources within legacy authorities to manage and develop the transition programme to ensure that staff could have ownership over and be engaged in the development plan, and that the process could be jointly owned and run by all legacy authorities. The transition programme was overseen by the Implementation Board, made up of members from each of the legacy councils, and progress was reported monthly to the Shadow Executive and Scrutiny. Each workstream was monitored through the Programme Office, and tracked weekly, which involved manual review of Post It boards in the Programme Office. Weekly meetings were held with workstream leads, with change managers aligned to the Implementation Board to act as conduits between the workstreams and Programme Office.

It was important for the transition programme to be pragmatic and not over-ambitious in what could be achieved in a tight timeframe. With this in mind, on transition the Council can be proud that nearly all elements of the transition plan were delivered on 1 April 2020, and the outstanding items were not ones that caused any operational issues.

A major factor in the successful implementation of the Unitary during the pandemic is that the Council already had in place a three-tier management structure that was immediately able to deal with Covid-19 issues faced by the Council. This coupled with the strong project plans in place, such as Day 1 modelling, customer access points, online presence with new website, and re-branding, meant that the risks on transition were reduced.

Learning from the transition

Transition to Unitary ensured that the Buckinghamshire response to Covid-19 is more joined up. Rather than responsibilities being split between district authorities and the county council there is one approach, led by officers already used to working together in the run up to transition.

There are no major learning points from Buckinghamshire Council's transition other than it would have been better to start the transition programme earlier. The Council was clear on what the 'must-haves' were for transition and worked steadily through the milestones of the transition programme. The way that the Council dealt with the transition is viewed as a success story by MHCLG and being shared with other authorities going through the transition process.

Value for Money

Significant risk: Implementation of the new Unitary Authority continued

Service review programme

With the new Authority emerging during the start of lockdown the Council was in emergency mode for the first quarter of 2020/21. The new Service Improvement Team, drawn from legacy authorities, had planned to develop a service development programme but this was delayed for three months whilst people were redistributed across the Council to support emergency cells set up to deal with the pandemic.

The Better Buckinghamshire service reviews programme is looking at each service area to review resourcing, savings, and design principles. Service reviews are the mechanism for the Council to explore savings opportunities in a structured way and to devise delivery plans. The Council aims to identify £3m of service reconfiguration savings in 2021/22 through the wave 1 and 2 service reviews being carried out in 2020/21. Over £21m of savings are proposed from service reconfigurations in 2022/23 and 2023/24.

The Service Improvement Board was set up to manage and monitor the delivery of the service redesign savings. The service reviews will design future service models around principals developed collaboratively through workshops with Resources functions. The principles set out what 'good' looks like for the Council's services and are developed around the following areas to structure the discovery and design stages of the service reviews: customer and staff experience; people, skills and culture; finance and efficiency; process; and technology, data and digital. As at November 2020 there are 11 service reviews underway:

- 5 reviews are in wave 1 (stages: 2 at discovery, 3 at design),
- 5 reviews are in wave 2 (stages: 4 at initiation, 1 at discovery & design) and
- 1 review is in wave 3 (initiation stage).

Conclusion

The new Unitary Authority was created during a time of challenge and uncertainty. The smooth transition was aided by the close working relationships between all predecessor authorities and the strength of the arrangements that the Shadow Authority had in operation in the lead up to the transition date.
We conclude that the risk of implementation of the new Unitary Authority has been mitigated and there is no need for us to consider qualifying our value for money conclusion in respect of the transition

Appendix A - Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	July 2020
Audit Findings Report	November and December 2020
Annual Audit Letter	March 2021

Fees

	Planned fees £	Proposed final fees £	2018/19 fees £
Council audit	92,828	106,752	92,066
Audit of Pension Fund	29,275	33,666	19,275
Total fees	**121,341**	**139,542**	**111,341**

Appendix A - Reports issued and fees (Council)

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

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £67,828 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage.	4,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	9500
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity	6,500
New standards / developments	In line with government directive, the audit of the financial statements was done remotely. Obtaining and review of audit evidence remotely proved more challenging and took longer than it would normally take to review.	4,500
Covid -19 Impact	The additional significant risk of Covid-19 and additional time it took to complete the audit as a result of remote working arrangements has meant an increase in time taken to complete the audit and increased volume of work and scope of our audit work to reflect this additional risk. A fee increase of 15% from the amount proposed in the audit plan is proposed to cover the additional work incurred by Grant Thornton	13,924
Total		38,924

Audit fee variation – Covid-19

Additionally, over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covd-19 on the audit of the financial statements has been multifaceted. This included:

- Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations. Our audit opinion will include an emphasis of matter in respect of this.
- Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.

We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/about-the-frc/covid-19/covid-19-bulletin-march-2020 sets out the expectations of the FRC.

Fee variations are subject to PSAA approval.

Appendix A - Reports issued and fees (Pension Fund)

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

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £19,275 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	3,500
Valuation oof Level 3 Investments	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions And evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.	4,500
Triennial Valuation	We carried out additional work this year in respect of the triennial revaluation carried out by the actuary	2000
Covid -19 Impact	The additional significant risk of Covid-19 and additional time it took to complete the audit as a result of remote working arrangements has meant an increase in time taken to complete the audit and increased volume of work and scope of our audit work to reflect this additional risk. A fee increase of 15% from the amount proposed in the audit plan is proposed to cover the additional work incurred by Grant Thornton	4391
Total		14,391

Audit fee variation – Covid-19

Additionally, over the last six months the current Covid-19 pandemic has had a significant impact on all our lives, both at work and at home. The impact of Covd-19 on the audit of the financial statements has been multifaceted. This included:

- Revisiting planning- we have needed to revisit our planning and refresh our risk assessments, materiality and planning as well as additional work in areas such as going concern and disclosures in accordance with IAS 1 in particular in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including investment and property valuations. Our audit opinion will include an emphasis of matter in respect of this.
- Remote working – the most significant impact of terms of delivery is the move to remote working. We, as have other auditors, have experienced delays and inefficiencies resulting from this new working environment. This is understandable and arise from the availability of relevant information, the need for us to devise alternative methods to evidence the veracity of the information provided and not being able to sit with an officer to discuss a query or a working paper. Obtaining an understanding via teams or telephone is often more time consuming.

We have been discussing the matter with PSAA over the last few months and these issues are similar to those experienced in the commercial sector and the NHS. In both sectors there is a recognition that audits will take longer with commercial deadlines expended by four months and the NHS deadline by one month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/about-the-frc/covid-19/covid-19-bulletin-march-2020 sets out the expectations of the FRC.

Fee variations are subject to PSAA approval.

Appendix A - Reports issued and fees continued

Fees for non-audit services

Service	Proposed Fees £	Final Fees £
Audit related services		
- Provision of IAS 19 Assurances to Scheme Employer auditors	7,00	12,000
- Agreed upon procedures in respect of the Teachers' Pension Scheme	7,500	7,500

Non- audit services

- For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.

- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Appendix B - Council Action plan

We have identified seven 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 into 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** IFRS16 has now been delayed by another year, to be implemented in 2021/22 A full assessment will be completed of all our leases. An implementation plan will be created to ensure we are fully compliant

Controls

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

Appendix B - Council Action plan – continued

Assessment	Issue and risk	Recommendations
Medium	**Omission of Other Public Sector Bodies from Impairment loss Allowance** In our review of bad debt provision, we identified that no impairment loss allowance was recorded for Other public sector bodies. Their rationale was "Other public sector bodies cannot go bankrupt like private companies and individuals". It was communicated to the Council that omission of Other public sector bodies from the Impairment Loss Allowance calculation would be against their own debt management policy. If the Council does not want to include debtors from Other public sector bodies in the Impairment Loss Allowance, then the policy should be updated. As of now, the policy is applicable for 2019/20 financial year and hence an Impairment Loss Allowance should be calculated on debtors from Other public sector bodies. We reperformed the calculation to determine that impact is clearly below our triviality levels, hence no further adjustment has been proposed.	Omission of Other public sector bodies from the Impairment Loss Allowance calculation is against the council's own debt management policy. If the Council does not want to include debtors from Other public sector bodies in the Impairment Loss Allowance, then the policy should be updated. **Management response** Whilst the Debt Management Strategy defines a recommended approach to providing for losses on debts relating to Public Bodies, it is guidance. All outstanding debts are extracted from SAP and provided to Heads of Finance. ILA values are proposed by Heads of Finance having reviewed their debts and consider the likelihood of non-payment in order to propose their ILA. We will review the review for both the DMS and the corporate review of proposed ILA's
Medium	**Bank Reconciliations - Reconciling items** When we tested reconciling items, we noticed that a large number of them pertain to vendor payments in SAP. The 'vendor' represents the cardholder. In sample testing, we have viewed the SAP screenshot evidencing the 'Vendor payment'. By the council's own admission, there should be a clearing document which should match the items in the bank statement to the 'vendor payments' We found that the matching exercise has not been performed and due to this, a large number of reconciling items which mainly contra each other remain in the listing.	The Council's bank team should clear the transactions monthly and carry out the matching exercise in order to reduce the large number of reconciling items in the listing. **Management response** We may not be able to clear down the entries each month as dependent on cardholder or approvers dealing with their steps within the timeframes. Monitoring reports to be run weekly to identify outstanding items. We are currently recruiting to a dedicated team which will cover this task so this will address this aspect moving forward and the Accounts Payable Manager is working on and looking into the historic items so these balances can be cleared down

Controls

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

Appendix B - Council Action plan – continued

Assessment	Issue and risk	Recommendations
Medium	**Investment properties** We noted from our audit of investment properties that the value for New House Farm was not revalued in line with the 19/20 updated Carter Jonas value. This resulted in an understatement in investment property of £798k. This was an error in omission on the Council's part and was correct in subsequent drafts. Further we noted that, Old Police Station headquarters was not valued in 19/20 by Carter Jonas despite the fact that prior to the summer of 2019 this asset was obsolete, and work was performed to get the asset into a usable position, and it has since been leased from summer 2019.This would also result in an understatement in investment property asset balance on the balance sheet given the asset is currently in use. Agricultural investment property totalling £1,884k relating to Land at Spade, Langley Farm, Deep Mill and Isle of Wight Farm were not included in the fixed asset register. An overall adjustment of £2,862k was expected to be made to the investment property balances in the accounts. However, management has only adjusted for the £798k in relation to New House Farm. The £798k and the £1,884k are in our adjusted and unadjusted reporting, respectively. This has also been included on the unadjusted misstatement schedule in Appendix C.	The responsible individual that is appointed by the Council to instruct the valuer should perform a reconciliation to ensure that all assets to be valued are included in the list of assets instructed for valuation. In management's control activities, a formal control is needed for a second reviewer to sign off on investment property information before they are sent to the valuer. This should be documented and maintained on file. A second reviewer is also needed to verify that the Carter Jonas revaluation values are reflected into the fixed asset register at year end and this review must be formally documented and maintained on file. **Management response** Agreed – A full reconciliation will be performed to ensure all assets are valued in agreement to our valuation policy. This reconciliation will be signed off by the Technical Accountant

Controls

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

Appendix B - Council Action plan – continued

Assessment	Issue and risk	Recommendations
Medium	**Annual Governance Statement** We analysed the disclosures in the Annual Governance Statement against the '2016, Delivery of good governance code'. From our review, we noted that it not very clear within the disclosure, how the Council has complied with the core and sub principles under the code. In addition, the key elements of the systems and processes that comprise the Council's governance arrangements were not clearly disclosed within the AGS.	We have recommended to management to ensure that they explicitly state how they have complied with the requirements of the 'Delivery of good governance code' in the AGS for the new Unitary Council in next year's audit. **Management response** Agreed in principle – this will be taken into account for the 20/21 AGS. The Delivering Good Governance document is referred to on p.2 of the 19/20 AGS and p3 demonstrates how we meet the requirements. This format has been used for a number of years for BCC, and we do not believe it needs to be changed for this year.
Medium	**Pooled Budgets** During our audit of the pooled budgets, we noted some variances between the disclosures on the Council's accounts and the audited accounts of the counterparties. Following meetings and emails exchanged with Children Services and Adult Services, it was concluded that the entities do not communicate and reconcile the values being reported in their financial statements. Hence, the Council was unaware of the figures within Oxford Health NHS and NHS Buckinghamshire Clinical Commissioning Group. A total difference of £2,994 was noted.	We recommend that the Commissioners and team members in Children and Adult Services have in place an agreement of values between BCC and the counterparties to avoid discrepancies between their financial statements. **Management response** Agreed. We will ensure there is an agreement and documentation in place between us and the counterparties that details each of the contributions for all of the pooled budgets we are involved in.

Controls

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

Appendix C - Pension Fund Action plan

We have identified the following recommendations for the Pension Fund 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	**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.	The use of custodian figures for accounts preparation was inappropriate as the valuation was dated as at 31 December 2019 whereas the fund manager statements include the more up-to-date figures. **Management response** The reason for using the December 2019 is down to timing and not having the 31st March 2020 positions available from the custodian. We will liaise with State Street to discuss if they are able to provide the information needed in a more timely manner.
Medium	**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	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 . **Management response** We are in the process of improving the reconciliation. Including monthly reports to management

Controls

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

Appendix C - Pension Fund Action plan - Continued

Assessment	Issue and risk	Recommendations
Medium	**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..	The responsibility for proper valuation and classification of investments is managements and hence they should challenge the assumptions made by the fund managers and custodians. Management should be able to demonstrate how they challenged the valuation and classification assumptions provided by its experts. **Management response** We will ensure to review and challenge the fund managers and custodians where we can
Medium	**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. There was no evidence of management's formal challenge to the actuary's estimate. 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.	Management should evidence that they have considered alternative assumptions or outcomes, and why they have rejected them Management should evidence of how management otherwise addressed estimation uncertainty in making the accounting estimate. **Management response** We will ensure to review and challenge the Actuary where we can
Low	**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. 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. 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.	An appropriate filing system should be in place so the final communication containing source data from employer is easily identifiable. 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 which should be audited. **Management response** We will ensure we keep the final versions of all data submitted to the actuary by the individual employers

Controls

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

Appendix C - Pension Fund Action plan - Continued

Assessment	Issue and risk	Recommendations
Low	**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. 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. 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.	Management should consider identifying ways in which data can be obtained from Milton Keynes Council ahead of the audit to assist with the efficiency and the delivery of the audit in a timely manner. **Management response** We have been liaising with MK ongoing and have now obtained the data required

Controls

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