



Report to Audit and Governance Committee

Date: 28th July 2021

Reference number:

Title: EXTERNAL AUDIT RECOMMENDATION 2019/20 ACCOUNTS - ACTION PLAN

Relevant councillor(s): N/A

Author and/or contact officer: Richard Ambrose (S151)

Ward(s) affected: N/A

Recommendations: Members are requested to note the following:

- (i) Table 1 in paragraph 1.3 summaries the action taken on external audit recommendations for the legacy County Council Accounts.
- (ii) Table 2 in paragraph 1.4 summaries the action taken on external audit recommendations for the Pension Fund Accounts.

Content of report

- 1.1 As part of the Annual Audit Letter to the Committee, the external auditors identified recommendations for both the legacy County Council Accounts and Pension Fund Accounts. The final audit report was considered by the committee at its meeting on 24th March 2021.
- 1.2 There were no recommendations on the legacy District Council Accounts. This report updates the committee on the actions taken.
- 1.3 There were six recommendations for the legacy County Council classified as medium defined as having an effect on control system. All these along with the action plan are summarised in the table on the next page.

Table 1 - Legacy County Council Recommendations	
Recommendations	Actions
IFRS 16 Implementation – The council must ensure completeness of the assessment of leases so that all relevant leases are included in the assessment.	As agreed, a full assessment of the Unitary Council’s lease register will be completed in the coming months to ensure that the new Council is fully compliant with IFRS 16 in its preparation of the 21/22 Statement of Accounts.
Omission of other public sector bodies from Impairment loss allowance - 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.	For the 2020/21 accounts this category of debt has been included as part of the impairment review and where appropriate ILA has been calculated.
Bank Reconciliation – Reconciling items - 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.	Significant progress has been made in the last year. At the end of 19/20, there were 8,724 open transactions while at the end of 20/21, there were 2,221 open transactions. It is recognised that further work needs to be undertaken and this is continuing.
Investment Properties - 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.	In compiling the asset register for the new Council, a full reconciliation of all assets took place. Numerous meetings were held between the Finance and Estates teams to ensure that all assets were valued according to the valuation policy agreed with auditors. As part of quality assurance all the valuations done during the year were reconciled back to the valuation programme and signed off by a senior member of the finance team. A check and challenge process took place between the Finance and Estate to ensure the assets are fairly stated as at balance sheet date.
Annual Governance Statement - 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.	The AGS for 20/21 is yet to be prepared and this recommendation will be considered during completion.
Pooled Budgets - 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.	Colleagues from Service Finance teams have liaised with counterparties. However, we have been advised by the CCG that due to differing accounting treatments the pooled budgets in each of the accounts will never reconcile. The CCG, upon request, are preparing a report for the Councils audit indicating the reporting differences



1.4 There were six recommendations for the Pension Fund Accounts of which four were classified as medium and two as Low defined as best practice. All these along with the action plan are summarised in the table below.

Table 2 Pension Fund Recommendations	Actions
<p>Investment Valuation – 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.</p>	<p>Majority of the funds are valued at 31.03.2021. For the small amounts that are valued at 31.12.2020, this will not have a material impact on the accounts. The reason for using some data from the 31.12.2020 is due to the timing of the information being provided to us from the fund managers.</p>
<p>Scheme Contributions - Whilst the accuracy and completeness of the reconciliation has been improved since this issue was first identified, we consider that there remains a need to improve further these aspects of the reconciliation.</p>	<p>The reconciliation process has been improved further this year, with officers fully reconciling returns to SAP on quarterly basis by employer.</p>
<p>Investments – Challenge to Assumptions - 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.</p>	<p>Where appropriate we have challenged the assumptions of custodian. This is documented in our audit files.</p>
<p>Management Challenge of Actuary - Management should evidence that they have considered alternative assumptions or outcomes, and why they have rejected them.</p>	<p>Where appropriate we have challenged the assumptions of Barnett Waddingham. This is documented in our audit files.</p>
<p>IAS19 – Digital Filing System - 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.</p>	<p>We have created a sperate file in our audit papers which includes a folder per employer. Within this folder is the final data submission</p>
<p>IAS19 - Milton Keynes - 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.</p>	<p>We continue to work with all our employers in order to obtain the data we require in order to be able to prepare our accounts</p>



Other options considered

1.5 N/A

Legal and financial implications

1.6 N/A

Corporate implications

1.7 None.

Consultation and Communication

1.8 None.

Next steps and review

1.9 The implementation of the action plan will be reviewed by the external auditors as part of the audit work for the Statement of Accounts 2020/21 and any findings will be reported in the Annual Audit Letter to the Committee.

Background papers

The Annual Audit Letter for Buckinghamshire County Council and Buckinghamshire Pension Fund for the year ended 31st March 2020.

