

**AUDIT AND CORPORATE GOVERNANCE COMMITTEE - WEDNESDAY, 22ND  
FEBRUARY, 2023**

**SUPPLEMENTARY PAPERS**

The following Papers were tabled at the meeting.

| <b><u>AGENDA<br/>ITEM</u></b> | <b><u>REPORT TITLE</u></b>        | <b><u>PAGE</u></b> | <b><u>WARD</u></b> |
|-------------------------------|-----------------------------------|--------------------|--------------------|
| 2.                            | Accounts and Audit Update 2018/19 | 1 - 14             | All                |

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# 2018/19 Statement of Accounts



Slough Borough Council

Draft  
Statement of Accounts  
2018/19

[www.slough.gov.uk](http://www.slough.gov.uk)

# Timeline

- Municipal year end 31 March each year
- Accounts should have been prepared by 31 May 2019
- 1<sup>st</sup> draft 10 June 2019 – no working papers
- 2<sup>nd</sup> draft 5 July 2019 – trial balance provided
- 3<sup>rd</sup> draft 6 January 2020
- 4<sup>th</sup> draft 3 March 2021 – incomplete a/cs & material error
- September 2020 - more audit issues arising
- 5<sup>th</sup> draft 7 May 2021

16 July audit starts  
Progress hampered by  
lack of working papers

More audit issues  
arising  
Audit suspended

## **BUT:**

- New Finance team appointed latter end of May 2021 identified that these accounts were still not fit for purpose **AND**
- Capitalisation Direction (CD) obtained in March 2022 meant further changes were required

# Changes made to 2018/19 accounts (1)

**50 changes** made in total affect over 100% of figures in core statements **PLUS** 80% of disclosure notes:

- 22 areas subject to detailed review and correction
- 20 changes relate to previous financial years
- 7 changes correct earlier versions of 2018/19 accounts

**AND**

- 1 further change has been made as a result of the Capitalisation Direction obtained in March 2022

# Changes to 2018/19 accounts (2)

|  | Total changes<br>£m | Area affected:      |                    |
|--|---------------------|---------------------|--------------------|
|  |                     | Balance Sheet<br>£m | General Fund<br>£m |
| Land and buildings incorrectly valued                  | 30                  | 30                  |                    |
| Infrastructure not depreciated                         | 42                  | 42                  |                    |
| MRP not charged in line with Regulations               | 33                  |                     | 33                 |
| Staff costs incorrectly capitalised                    | 26                  | 26                  | 26                 |
| Income incorrectly recognised                          | 8                   | 8                   | 8                  |
| Inadequate provisions for bad debts and rating appeals | 32                  | 32                  | 3                  |
| Write off unsubstantiated debtors/creditors            | 9                   | 9                   | 9                  |
| Liabilities not included on balance sheet              | 8                   | 8                   |                    |
| <b>TOTAL</b>   | <b>188</b>          | <b>155</b>          | <b>79</b>          |

# Impact on Balance Sheet at 31 March 2019

Page 5

|                               | 1st draft<br>June 2019<br>£m | 5th draft<br>May 2021<br>£m | Revised<br>February<br>2023<br>£m |
|-------------------------------|------------------------------|-----------------------------|-----------------------------------|
| Property, plant & equipment   | 1,046                        | 969                         | 933                               |
| Other non-current assets      | 142                          | 156                         | 123                               |
| Cash & short-term investments | 70                           | 69                          | 69                                |
| Other current assets          | 48                           | 36                          | 18                                |
| Current liabilities           | (270)                        | (276)                       | (276)                             |
| Long-term liabilities         | (631)                        | (617)                       | (636)                             |
| <b>NET ASSETS</b>             | <b>405</b>                   | <b>337</b>                  | <b>231</b>                        |
| Usable Reserves               | (83)                         | (71)                        | (76)                              |
| Unusable Reserves             | (322)                        | (266)                       | (155)                             |
| <b>TOTAL RESERVES</b>         | <b>(405)</b>                 | <b>(337)</b>                | <b>(231)</b>                      |

Reflects inaccurate asset records and over-capitalisation of staff costs

Net value of Balance Sheet has been reduced by over 40%

# Impact on General Fund Balances

Page 6

|                             | <b>General Fund balance<br/>with CD</b> | <b>General Fund balance<br/>without CD</b> |
|-----------------------------|---|--|
| GF balance at 31 March 2017 | £7m                                     | £29m in deficit                            |
| GF balance at 31 March 2018 | £2m                                     | £48m in deficit                            |
| GF balance at 31 March 2019 | £1m                                     | £77m in deficit                            |



# What does this reflect?

- ✘ Inadequate accounting records and controls systems
- ✘ Ineffective systems of internal control, risk management and governance
- || Grossly inaccurate Annual Governance Statement
- || And very challenging budget setting

A&A Regs

Reg 4

Reg 6

## Remedy

- ✓ 18 months very demanding work by new Finance Team
- ✓ 43% reduction in net worth of the Council's balance sheet
- ✓ Corrected a/cs provide sound financial base for the Council going forward

# Why is this important?

Levels of General Fund and HRA balances affect key budget decisions for the next financial year

**Many of the Council's financial problems would have been highlighted sooner if accounts had been produced earlier and to the standard required.**



There is a residual risk is that something arises from the previous 3 years' unaudited accounts which adversely affects the estimated GF and HRA balances

# Different opinions – what does it mean?

- Approval by s.151 and Council is on the accounts overall
- External audit opinion is:
  - more detailed technical appraisal based on auditing standards
  - line by line assessment of the accounting statements

# Process improvements (1)

- ✓ Recruited specialists in local authority financial reporting
- ✓ Training has commenced for Finance staff
- ✓ Templates and checklists have been introduced to improve the quality of draft accounts and working papers
- ✓ Improved presentation and layout of published document
- ✓ Regular meetings with external audit so that technically complex issues are identified and resolved quickly
- ✓ Year-end close and audit is now a priority

# Process improvements (2)

- ✓ Improved bank reconciliation processes
- ✓ Review of all debtor and creditor balances
- ✓ Ledger system is now used more effectively
- ✓ Plans in place to review coding structure

# Process improvements (3)

New processes will take a while to bed in but the aim is to:

- Produce accounts that meet CIPFA requirements and are easy to audit with minimal changes required
- Ensure that accounts are supported by clear and comprehensive working papers
- Manage the audit process so that accounts can be signed off as quickly as possible.

- **In terms of cultural change, managing year end close and audit is now a priority**
- **BUT experience elsewhere suggest that this can take up to 5 years to embed**

# Looking forward...

2018/19 audit due to complete February 2023

## Progress on accounts preparation

- 2019/20 accounts prepared by 30 November 2022
- 2020/21 accounts prepared by 28 February 2023
- 2021/22 accounts prepared by 31 August 2023
- 2022/23 accounts prepared by 31 December 2023

Accounts still subject to QA and amendment arising from 2018/19 a/cs audit and new team being in place

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