

The Audit Findings for Slough Borough Council

Year ended 31 March 2019

16 February 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and with the Audit and Corporate Governance Committee.

Name : Julie Masci
For Grant Thornton UK LLP
Date : 14 February 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Slough Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements:

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit of the financial statements of Slough Borough Council for the year ended 31st March 2019 commenced in July 2019, when the Council first produced its first draft statement of accounts. Our review of the arrangements for delivering value for money subsequently commenced in early 2021. Unfortunately, the audit on the financial accounts did not complete during 2019, due to a number of significant matters in the financial statements audit identified by Grant Thornton. At this time, management at the time focused on pushing us to complete the audit rather than providing appropriate audit evidence. This was the wrong approach. Our review of value for money arrangements at the Council also identified a number of significant issues, resulting in an adverse value for money opinion.

In early 2021, the Council found itself in financial difficulties resulting in a Section 114 being issued, therefore, requiring an application to Government for a Capitalisation Direction. The Secretary of State for Levelling Up, Housing and Communities, on 30 June 2021, announced an external assurance review of Slough Borough Council's financial position and the strength of the Council's wider governance arrangements, resulting in several recommendations being raised and the appointment of Commissioners. The old finance team who were involved in producing the first draft accounts subsequently left the Council during early 2021.

A new finance leadership team was appointed during 2021 with considerable financial expertise and experience of working with or for other local authorities in the sector. The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19.

The Local Audit and Accountability Act 2014, requires local authorities to keep adequate records and to prepare an annual statement of accounts, which must be audited. During their review, the team identified significant weaknesses in financial accounting and record keeping issues at the Council, leading to a substantial re-write of the original 2018/19 draft accounts. In producing the latest accounts, the new finance team have had to contend with lack of adequate record keeping, inadequate audit trails, poor working papers, mapping issues within the general ledger, lack of reconciliations, missing information, material erroneous accounting of transactions and identified several material errors in prior years. The revised draft accounts produced in June 2022 included 16 Prior Period Adjustments, revised core statement, revised accounting policies, presentation and disclosure of notes.

The new finance team has attempted to produce a set of financial accounts fit for audit. However, their initial starting position was the previous version of the accounts and general ledger (containing thousands of accounting entries) prepared by the old finance team, which had several legacy issues. The new finance team has had to: undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems, conclude whether the information is available or not. As mentioned, some members of the old finance team who prepared the first draft of the accounts or posted accounting transactions are no longer employed at the council. Therefore, it has been difficult to obtain supporting evidence or explanations to transactions posted in 2018/19 and prior periods. These issues have clearly increased the complexity of preparing the accounts, correcting errors and concurrently elevated our audit risks.

Grant Thornton agreed to recommence the audit of the revised accounts in July 2022. As a result of the scale and number of misstatements and amendments to the 2018/19 draft accounts, we revisited our planning and risk assessment and re-issued an updated Audit Plan on 29 September 2022 to the Audit & Corporate Governance Committee.

1. Headlines

Financial Statements (continued):

As clearly set-out later in our Audit Findings Report, there were significant weaknesses in the preparation of the 2018/19 accounts and overall financial governance at the Council. However, the most significant issues relate to the accounts audit are:

- Inadequate processes and controls over journals posted by the old finance team , i.e. lack of supporting evidence and explanations for journal entries posted in the general ledger or adjusting entries on the trial balance.
- Inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the financial statements.
- A significant number of material misstatements identified in the 2018/19 accounts audit and material prior period misstatement identified relating to the 2017/18 accounts and early sets of financial statements.

The scale and size of the issues identified consequently means we are unable to assure ourselves that the financial statements are free from material errors and are fairly stated for us to provide an unqualified opinion. Therefore, this means the financial statement opinion for 2018/19 will be a modified opinion. There are three types of opinions in this scenario external auditors can issue depending on the circumstances:

Qualified

- *Is issued when the audit team having obtained sufficient audit evidence, concludes that misstatements, individually or in aggregate, are material (disagreement), but not pervasive to the financial statements or*
- *the audit team is unable to obtain sufficient appropriate audit evidence (limitation of scope) but the engagement team concludes that the possible effects on the financial statements of undetected misstatement, if any could be material but not pervasive.*

Adverse Opinion

- *Is issued when the audit team, having obtained sufficient appropriate audit evidence, concludes that material misstatements, individually or in aggregate, are both material and pervasive to the finance statements. Therefore an unqualified opinion is not justified.*

Disclaimer of opinion

- *A disclaimer of opinion is only issued when the possible effects of undetected misstatements due to the lack of audit evidence (a scope limitation) could be both material and pervasive to the financial statements.*

We consider the nature of these issues identified within the accounts to be pervasive, we therefore anticipate our audit report opinion will be a Disclaimer of opinion. In our experience , a disclaimer of opinion is unprecedented . This reflects a standard of record keeping and accounting which is incompatible with the Council's responsibilities to exercise proper stewardship over public funds.

Our Audit Findings Report highlights the key findings reported to those charged with governance (the Audit, and Corporate Governance), since the audit commenced in July 2019. We have summarised the results against the 13 significant risks identified in the Audit Plan and the significant matters discussed with management on Pages 17 to 21.

We identified a number of audit adjustments to the financial statements that have resulted in changes to the Council's Comprehensive Income and Expenditure Statement. Audit Adjustments are detailed in Appendix D. A summary of the explanation of the changes from the initial draft accounts presented for audit in July 2019 and the final accounts approved is highlighted in Appendix C on pages 51 to 55

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. As mentioned, our anticipated audit opinion will be modified as disclaimer.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described below and later in our report, we are not satisfied that, in all significant respects Slough Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, this is due to:

- Inadequate arrangements in place to understand and use appropriate and reliable financial and performance information to support informed decision making and performance management in relation to Slough Children's Services Trust
- Significant weaknesses in processes for preparing both the 2017-18 financial statements (which took place during 2018-19), and ongoing weaknesses in the arrangements to prepare the 2018-19 financial statements resulting in a number of material adjustments and disclosure corrections.
- Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with the Department for Education on the recoverability of financial support to Slough Children's Trust, the Council has recently sought further financial support through Department for Levelling Up Housing Communities and is awaiting final conclusions from this request. This coupled with further adjustments required to the Council's reserves arising from the audit, gives indication that general fund reserve levels (both earmarked and unearmarked) are at unsustainably low levels requiring action from the Council. We therefore anticipate issuing an adverse qualified value for money conclusion.

Our findings are summarised in a separate report to Audit and Corporate Governance Committee members within the papers and has been previously reported to members on 18 May 2021.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

On 9 May 2021 we issued Section 24 Statutory Recommendations, as a result of the significant challenges experienced in preparing Code compliant accounts for 2018-19, coupled with the wider findings of the audit and the challenging financial position for the Council at the time.

Given the subsequent findings and very serious concerns raised in this Audit Findings Report, about historic record keeping and accounting we will consider the use of additional powers as to whether to make further written recommendations under section 24.

Furthermore under the Local Audit and Accountability Act 2014, a local elector has the rights to inspect the accounts and books and records of the Council and write to the external auditors, to ask questions about the account. They may also object to the Council's accounts asking that the auditor issue a report in the public interest (under Section 24 and paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014) or apply for a declaration that an item in the accounts is contrary to law.

We received one such objection during the public inspection period for the 2018-19 accounts. The objection related to the Council's acquisition, completed on 24 July 2018, of its then-new headquarters building, Observatory House. The acquisition cost was £41m, and further costs were incurred in fitting out the building before occupation.

Having carefully considered the grounds for the objection and information provided by the Council in response, we have decided not to uphold the objection, and will not therefore be issuing a report in the public interest or applying to the court for a declaration that there is an unlawful item of account.

However, there is one issue raised by the objector which we believe merits written recommendations. This concerns the way the decision to acquire the property was taken, and in particular the limited information made available to members at the meeting of the Cabinet on 28 May 2018 at which the decision was taken. We believe this is a significant failing in governance given the size of the transaction to which it relates.

Our findings and conclusions from this objection are set out in a separate report scheduled to be considered by Full Council on 9 March 2023.

1. Headlines

Outstanding

Continued

We are in the process of concluding our audit work for the 2018/19 financial statement. However, there are still a number of aspects of our audit documentation and procedures to finalise and these are listed below. Therefore subject to the following outstanding matters;

- Review of the updated workings for the Cash Flow Statement
- Review of updated Fixed Asset Register and reconciled to the Property Plant and Equipment note
- Review of the Council's Going Concern revised statement
- Review of outstanding items from management, including the updated working papers to the support final amendments to the financial statements,
- Review of the Group Consolidation Process, Expenditure and Funding Analysis workings, Collection Fund Statement workings
- Senior management and quality review including GT internal technical consultations on the 18/19 accounts
- Review of the updated trial balance
- final receipt of management representation letters; and
- receipt and review of the final sets of financial statements, Annual Governance Statement and Narrative Reports.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that there were material balances within other entities within the group, on which audit procedures would need to be completed. These procedures are underway and are subject to information required from management.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 28 September 2022, to reflect the scale of the challenges experienced by the audit team in undertaking the audit on the initial draft accounts which subsequently resulted in a re-draft of those accounts in July 2022.

Conclusion

We are nearing the completion of our audit of your financial statements and, subject to outstanding matters on page 6 being resolved, we anticipate issuing a disclaimer opinion on the financial statements following the conclusion of the audit.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have not revised the performance materiality from the planning stage of the audit and remains based on prior year gross expenditure. We detail in the table to the right our determination of materiality for Slough Borough Council and the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,000,000	5,900,000	Materiality has been based on 1.5% of prior year gross operating expenditure.
Performance materiality	3,600,000	3,580,000	Based on prior year issues and deficiencies identified. We set our performance materiality at 60% of materiality.
Trivial matters	300,000	299,000	Based on 5% of materiality.
Materiality for senior officer remuneration	20,000	20,000	We design our procedures to detect errors at a lower level of precision in specific accounts.



2. Financial Statements - Significant risks

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

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

Risk identified from Audit Plan	Commentary
<p>Income from Other Fees and Charges, Grants, and Contracts</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Slough Borough Council, we have concluded that the greatest risk of material misstatement relates to Other Fees and Charges income. We have therefore identified the occurrence and accuracy of Other Fees and Charges, Grants, and Contract income as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the other revenue streams of the group and Authority because:</p> <ul style="list-style-type: none"> Other income streams are primarily derived from formula based income from central government and tax payers; and opportunities to manipulate revenue recognition are very limited. 	<p>We</p> <ul style="list-style-type: none"> evaluated the group's accounting policy for recognition of income from Other Fees and Charges, Grants, and Contracts for appropriateness; gained an understanding of the Authority's system for accounting for income from Other Fees and Charges, Grants, and Contracts and evaluated the design of the associated controls; Agreed on a sample basis, amounts recognised as income from Other Fees and Charges, Grants and Contracts in the financial statements to supporting documents. <p>Conclusion</p> <ul style="list-style-type: none"> The audit team experienced significant challenges in verifying or tracing samples of income selected for testing back to bank statement or confirmation the income had been received by the authority. Income invoices raised by the council are not reviewed prior to submission to counterparties, therefore the council relies on the counterparties/customers to query or confirm the debt/income is correct. This elevates the risk of improper revenue recognition due to lack of controls over the approval of income invoices. Inappropriate accounting and use of internal recharges was identified in our discussion with management within the council's financial ledger. In addition, the Council was unable to reconcile internal recharges included in the financial statements.
<p>Management override of controls ISA (UK) 240</p> <p>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 Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determine 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 by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Conclusions</p> <p>We identified a number of control weaknesses in the council's processes and controls over posting of journals and inadequate/insufficient audit trails. This deficiency elevates the risk of management override of controls – refer to Page 17 and Pages 42 for more details regarding findings.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

The group re-values its investment property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management has engaged the services of a valuer to estimate the current value as at 31 March 2019. We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

The group re-values 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 and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to the current value.

Conclusion

- Inappropriate accounting of Thames Valley University purchased in 2017/18 for £27m, resulting in an amendment to the 17/18 accounts and a reclassification from Investment Property Note 17 to Property Plant and Equipment Note 16. This misstatement has resulted in an adjustment to the council's revaluation reserve and capital adjustment account.
- Subject to senior management and quality review, we have not identified any other material misstatements regarding Investment Properties.

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 expert
- written to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council's 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 the current value at year end.

Conclusion

We identified a number of misstatements within the property, plant and disclosure note 17, and the details of the issues identified are on Appendix D. We have also raised a recommendation on Appendix B.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the Pension Fund net liability (£273m)

The Council's net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£273 million in the Council's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
- assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary;
- undertook 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;
- obtain assurances from the auditor of Berkshire Pension Fund as to the controls 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.

Conclusions

- The net pension liability was updated for the impact of the McCloud judgement
- The net pension liability has also been amended for the impact of updated investment assets performance as at 31st March 2019.
- During the process of agreeing the disclosures to the information in the actuary's report it was noted that the disclosure was presenting some information on a net basis rather than the gross basis within the report. This was discussed with the finance team and the disclosure was amended.

Subject to final senior management and quality review, our audit work has not identified any other issues in respect of Pension Liability.

Valuation and accounting for Lender Option Borrower Option (LOBO) loans (£13m)

LOBO loans are complex with terms that can be non standard, including inverse floating interest rates. Management need to consider the terms of the loan agreements of these loans and make judgements as to the appropriate accounting treatment. Last year, clarification was issued by CIPFA in relation to the accounting for LOBO loans.

The Authority holds LOBO loans (PY: fair value of £13m in 2017/18) and has made a critical judgement regarding the accounting treatment and valuation of these loans during the year.

We therefore identified the valuation and accounting for these LOBO loans as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- assessed management's processes and assumptions for identifying critical judgements;
- gained an understanding of the processes and the controls put in place by management to ensure that the loans were not materially misstated and evaluated the design of the associated controls;
- evaluated the competence, capabilities and objectivity of management experts used in the valuation of the loans;
- discussed with management the basis on which the valuation was carried out, including advice received from treasury management advisers;
- evaluated and challenged the reasonableness of the critical judgements and significant assumptions used by management and their expert in valuing and accounting for the loans.

Conclusions

Subject to final senior management and quality review, our audit work has not identified any issues in respect of the treatment and valuation of LOBOs.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Property Plant and Equipment - Incomplete or inaccurate financial information transferred to the general ledger.

In January 2019, the Authority implemented an opening balances exercise on the Property, Plant and Equipment balances for the 2018/19 financial year. When implementing this exercise, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of any data transfer from the previous ledger system.

We therefore identified the completeness and accuracy of the transfer of revised financial information to the general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- completed an information technology (IT) environment review by our IT audit specialists to document, evaluate and test the IT controls operating within the general ledger system; and
- mapped the closing balances from the 2017/18 general ledger to the opening balance position in the new ledger for 2018/19 to ensure accuracy and completeness of the financial information.

Conclusion

There have been a number of issues identified by both external audit and new management team relating to the accounting of property plant and equipment (including the record keeping). The issues pertain to disposals, reclassification of assets, capital additions, write-off of nil net book value assets and infrastructure assets. These matters have been discussed with management and are documented on Page 18 & 19

Group Accounts Consolidation Process.

The Authority is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertaking, James Elliman Homes Limited.

The Authority has a 50% interest in Slough Urban Renewal, a Limited Liability Partnership. Activity increased significantly in 2017/18.

In 2017/18 Slough Urban Renewal was not consolidated due to the quantitative and qualitative aspects were not considered to be material by the Council. The 2018/19 initial draft accounts presented for audit did not have group accounts. However, following the first phase audit, and challenge from the external audit team, the council agreed to prepare group accounts to incorporate Slough Urban Renewal.

The Council has a wholly owned subsidiary, Development Initiative for Slough Housing Company Ltd. During 2017/18 the Council established Herschel Homes Limited which is currently dormant.

The consolidation of the subsidiary may give rise to a number of material accounting transactions in the financial statements for which the economic substance of the transactions needs to be considered.

We therefore identified the accounting transactions associated with the consolidation of Slough Urban Renewal as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the company;
- discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements;
- critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance;
- reviewed the Group structure of the Council;
- obtained a copy of the Group materiality assessment to be prepared by the Council;
- reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations.

Conclusion

- Management have amended the original draft accounts and consolidated both Slough Urban Renewal & James Elliman Homes as part of the group accounts.
- Management have reversed the impact the £7.5m over accrual in both the current year and prior year periods. This adjustment has also impacted the general fund as it was originally overstated by the same amount.
- Responses from the component auditor to our enquiries and review of the impact of audit opinions issued by the component auditors.

Our audit work is still in progress in this area. Work outstanding includes review of the consolidation process and adjustments in the updated group accounts, review of the group cashflow and the group's movement in reserves statement.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Private Finance Initiative

The Council entered into a PFI contract for the design, build and operation of three schools in 2006/07.

The PFI assets are recognised as Property, Plant and Equipment within the Authority's balance sheet.

Accounting for PFI is complex and the transactions are significant. In addition, the monitoring of the contract is a key requirement for the Authority.

There is a risk that Property, Plant and Equipment may be misstated due to improper valuations and accounting of PFI schemes in year. We therefore identified the accounting transactions associated with the PFI model as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- reviewed the Authority's PFI model and assumptions therein to inform our audit approach;
- agreed the balances in the financial statements to these models;
- reviewed the basis of the Authority's accounting treatment and valuation for the PFI schemes;
- discussed with key group personnel, the underlying substance of the transactions and the judgements made.

• Conclusion

We have not identified any significant issues regarding the PFI model used for the preparation of the accounts.

Presentation and Disclosure – Financial Statement Level Risks

In 2017/18 a significant number of weaknesses and misstatements were identified in respect of the group's arrangements for preparing the financial statements and working papers.

There is a financial statement level risk that the financial statements may be misstated due to weaknesses identified. We therefore identified the presentation and disclosure of the financial statements as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- considered the Authority's arrangements for preparing the financial statements and working papers;
- discussed with key group personnel, the underlying substance of the transactions and judgements made;
- critically assessed the financial statements in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance;
- mapped the closing balances from the 2017/18 general ledger to the opening balance positions in the new ledger for 2018/19 to ensure accuracy and completeness of the financial information;
- considered the action plan presented to Audit Committee and consider progress made by Officers against this plan in the preparation of the 2018-19 financial statements.

Conclusion

Our audit of the council's statements has identified (identified by external audit and management) a number of material misstatements to the financial statements presentation and disclosure. The number of significant issues identified are summarised on Pages 17 to 26. These issues identified are pervasive to the financial statements, therefore, form the basis of the disclaimer opinion.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Incomplete records at the Council

We have identified the risk of incomplete records at the council, as a result of the number of issues identified during the first phase of the 2018/19 accounts audit.

There have been a number of changes in council staff (mainly those in the finance function) since the first draft of the accounts was prepared. In addition, the new Finance team has also identified a number of misstatements that has required prior period adjustments within the 2018/19 accounts.

There is a risk of records not being supported by appropriate and adequate evidence due to changes in client personal or inadequate record keeping.

We

- Obtained an understanding of the incomplete information and documented its impact to the audit.
- Considered alternative audit procedures to obtain the assurance level required
- Considered and documented the potential limitation of scope of the audit engagement and impact on the audit report.
- Obtained representation from management that the original information/records are not available for audit.
- Considered and documented the potential limitation of scope of the audit engagement and impact on the audit report.

Conclusion

The audit team has experienced some challenges in auditing the financial statements of the Council . We experienced some of these challenges during the first phase of the audit. We have also encountered this issue during the current phase of the audit. We have been unable to obtain sufficient and appropriate evidence in some of the following areas (this is not an exhaustive list).

- our review of journals
- our review of the TB reconciliation to the financial statements
- our review of the CIES reconciliation to the Expenditure Funding Analysis, Expenditure and Income Analysed by nature
- our review of the Housing Benefit System Arrears Report
- lack of appropriate reconciliation for Housing Benefit Expenditure, Bank Reconciliations, Dedicated Schools Grants
- review of Suspense Accounts in the General Ledger
- our inquiry regarding historic general ledger balances
- our review and testing and completeness of prior period adjustments

The number of significant issues identified are summarised on Pages 17 to 26. These issues identified are pervasive to the financial statements, therefore, form the basis of the disclaimer opinion.

Minimum Revenue Provision

The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.

MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets.

According to regulations, the duty to make MRP extends to Investment Property where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements.

We

- tested that the Council has appropriately calculated its Capital Financing Requirement (CFR).
- tested that the Council is correctly identifying capital expenditure subject to MRP charge in line with the guidance.
- reviewed and checked that the Council's policy on MRP complies with statutory guidance
- reviewed Council Committee and sub-Committee papers to check that full council has approved the annual Minimum Revenue Provision statement
- checked that MRP has been calculated in line with the authority's policy on MRP
- assessed whether any changes to the authority's policy on MRP:
 - a. have been discussed and agreed with those charged with governance
 - b. have been approved by full council
 - c. are adequately explained and evidenced
 - d. comply with statutory guidance
 - e. are in accordance with any legal or other professional advice obtained by the authority

Conclusion:

Refer to Appendix C on adjustments made to the council's MRP for 2018/19, 2017/18 and 2016/17.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Cash balance and bank reconciliation process

The council is required to disclose its cash balance (positive or negative) on the balance sheet (which forms part of the primary statements). As part of the review of the year end reconciliation in the first phase of the audit, we identified a number of weaknesses in the council's arrangements in terms of how the bank/cash reconciliation to the general ledger was completed. There is a risk that cash is misstated and transactions are not being appropriately accounted for that could lead to material misstatements in debtors/income and creditors/expenditure. There is a risk over the management of cash due to lack of appropriate controls being in place at the council.

We

- Obtained an understanding of the process and controls over cash balance (including the receipting and payment processes) and assessing their design effectiveness
- Obtained a list of the Council's Bank Accounts operated during the year and requested counterparty confirmation (obtained directly from the bank).
- Obtained the year end bank/cash reconciliation of the council's cash balance to support the balance disclosed within the financial statements.
- Tested on a sample basis, significant reconciling items on the Council's bank reconciliations.
- Reviewed the completeness of the cash balance reported at year end

Conclusions

We have identified a number of issues regarding the council's bank reconciliation and cash balances included in the financial statements. Refer to significant matters discussed with management.

2. Financial Statements – Key findings arising from the group audit

Group Accounts

James Elliman Homes & Slough Urban Renewal LLP

The Council is required to prepare group financial statements that consolidate the financial information of its wholly owned subsidiary undertaking, James Elliman Homes Limited (JEH).

The Council has a 50% interest in Slough Urban Renewal (SUR), a Limited Liability Partnership. Activity increased significantly in 2017/18. In 2017/18 Slough Urban Renewal was not consolidated due to the quantitative and qualitative aspects were not considered to be material by the Council.

In the original draft accounts presented for audit, Slough Urban Renewal had not been consolidated into the Group Accounts, however, after audit review, we challenged management on the composition of the group and the basis for consolidation of the companies included in the group accounts and those omitted including the consideration of the impact of Slough Urban Renewal and James Elliman Homes' accounts being produced under different accounting frameworks.

During the course of our review and challenge of the Council's group consolidation process, it was identified that a substantial over accrual of anticipated profits from the Council's interests in Slough Urban Renewal in both 2017-18 and 2018-19, totalling £7.573m overstating general fund reserves of this amount in the 2018-19 accounts.

We therefore identified the accounting transactions associated with the consolidation of Slough Urban Renewal as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Auditor commentary

We have completed the following work:

- reviewed the key agreements to gain an understanding of the agreements put in place on the establishment of the company;
- discussed with key group personnel, the underlying substance of the transactions and the basis of the group's proposed accounting treatment of the arrangements;
- critically assessed the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance;
- reviewed the Group structure of the Council;
- obtained a copy of the Group materiality assessment to be prepared by the Council; and
- reviewed the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations.

Management have amended the original draft accounts and consolidated both Slough Urban Renewal & James Elliman Homes as part of the group accounts.

Management have reversed the impact the £7.5m over accrual in both the current year and prior year periods. This adjustments has also impacted the general fund as it was originally overstated by the same amount.

Our audit work is still in progress in this area. Work outstanding includes review of the consolidation process and adjustments in the updated group accounts, review of the group cashflow and the group's movement in reserves statement.

2. Significant Findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant Matter	Commentary	Auditor View
Journals	<p>Journal entries are used to post both standard and non-standard transactions in the Council's general ledger. Management override of controls of an entity's records often involves the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries which may occur throughout the reporting period or at the period end.</p> <p>As part of our audit procedures we have obtained an understanding of the council's journals control environment over the posting of standard and non-standard journals to understand the appropriateness of journal entries and other adjustments.</p> <p>In our detailed review of journals posted during the financial year 2018/19, we identified a number of significant issues regarding the control environment and processing and posting of journals. Below is a summary of some of the significant issues identified regarding our review of journals and discussed with management</p> <ul style="list-style-type: none"> • Supporting Evidence: - our initial discussion with the new finance team noted the lack of adequate record keeping at the council and this extended to journals. Our detailed testing of journals identified that some journal entries did not have an audit trail. • Other Adjustments: - entries posted outside the council's general ledger by the previous finance team (i.e. the trial balance and EFA as part of the council's statement of accounts preparations) were either unsupported, poorly documented with no explanations or were erroneously prepared and posted. • Users : - Our review of the control environment of relating to journals, we established some of the usernames/posters on the system generated reports were not the actual people who either posted/prepared the journal, as result of the system configuration issues. • Business Rational of Journal: - Some journal entries were difficult to understand, particularly whereby journals that were multi-purpose in nature. <p>We consider this to be a significant weakness, as it is difficult to trace back to the person requesting/posting the journal and whether they were authorised to do so. In addition, having adequate controls over journals and the supporting evidence is important to substantiate the appropriateness of transactions in the general ledger.</p>	<p>We consider the lack of audit trails and evidence to support journal entries to present an elevated risk of management override of controls and concurrently, this increases the risk of errors within the accounts due to weaknesses in the journal control environment. Journals impact the financial statement as whole; (pervasive and affects most balances), we are unable to assure ourselves that the journals posted by council staff in 2018/19 were appropriate and supported.</p>

2. Significant Findings – matters discussed with management

Significant Matter	Commentary	Auditor View
Trial balance & EFA Adjustments	<p>The trial balance is a report showing the closing balances of all the accounts in the general ledger as at 31st March 2019. The creation of a trial balance is the first step in closing the general ledger for an accounting period. The council used the CIPFA Big Red Button Tool to prepare its trial balance with further adjustments being made to the trial balance as part of the closedown procedures. However, some of the adjustments made to the trail balances and notes to the accounts were poorly documented by the previous finance team . These adjusting entries/adjustments used to reconcile the trial balance to the statement of accounts are effectively journal entries that should be supported and explained.</p> <p>In preparing the council’s statement for accounts for the 2018/19, the council’s use of the CIPFA Red Button resulted in a number of complexities and challenges in understanding the audit trail between the council’s general ledger (Agresso) and the trial balance and how these reconciled to the financial statements. This was a challenge encountered in the first phase of the audit by the external audit team. In preparing the latest draft (restated accounts July 2022), the new finance team and external audit team have continued to experience the same difficulties and also identified a number of erroneous entries themselves.</p> <ul style="list-style-type: none"> • A number of historic off ledger adjustments (accounting entries made on the trial balance) between the trial balance and the financial statements that were never posted to the general ledger to ensure the general ledger is up to date for the purposes of opening and closing balances. • Identified a number of trial balances & EFA adjustments that were made by the previous finance team that had very little explanation or no explanation or supporting evidence to support the entries on the trial balance. • Identified entries within the trial balance & EFA that appear to have been posted in error or the accounting treatment is inconsistent with the CIPFA Code requirements. • Identified other issues in the reconciliation between the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis disclosures <p>Accounting of off ledger adjustments with no explanation or supporting evidence presents an elevated risk of management override of control due to the lack of adequate audit trails.</p>	<p>The trial balance is an important component of the financial statements, and there should be a clear link between the financial statements and the general ledger and corresponding notes in the accounts</p> <p>Our audit procedures requires us to obtain assurance over the reconciliation of the financial statements, trial balance, and general ledger in order to test account balances. Due to the number of issues identified in the audit process, i.e. reconciliation issues, posting of unsupported transactions, erroneous entries , we are unable to assure ourselves that the entries on trial balance and adjustments are reasonable and fairly stated.</p>
Incomplete Records	<p>We encountered a number of challenges in auditing the financial statements provided by management over the last 4 years.</p> <ul style="list-style-type: none"> • Finance Team – members of the finance team who either worked for the council in 2018/19 or were involved in the preparation of the financial statements, have now left the council, therefore in some cases the new finance team has been unable to either explain the transactions, obtain the evidence to support the transaction. • Sample Evidence – a number of the adjustments or transactions within the accounts have not been supported, i.e. we have been unable to obtain evidence to support some of the samples in our substantive testing. 	<p>The audit team has experienced some challenges in auditing the financial statements of the accounts. We experienced some of these challenges during the first phase of the audit. We have also encountered this issue during the current phase of the audit.</p>

2. Significant Findings – matters discussed with management

Issue	Commentary	Auditor View
Creditors & Debtors	<p>The council's creditor balance at end of the reporting period is supposed to show all amounts owed to individuals or third parties or institutions. Our review and testing of creditors identified a number of issues relating to the following:</p> <ul style="list-style-type: none"> • Suspense Accounts-(Debtors and Creditors) we identified a number of suspense account balances being rolled forward from the councils migration from Oracle to Agresso (general ledger system). The value of these transactions is £5m and management propose to write-off the balances. • Creditors listing :- the creditors listing provided by the council for testing included both debits and credit balances, as opposed to a clean listing of suppliers/individuals owed money by the council at year end. We also noted a number of historic balances that existed in the opening balance and were part of the closing balance • Creditors Note 28 & Debtors 27 disclosure – the mapping and classification of the different types of debtors and creditors categories for the council (disclosed in the latest draft financial accounts) has been compiled using two different methods between the two years which means the disclosure is not comparable. This is due to a lack of information/working papers on how the previous note was compiled by the previous finance team. <p>These issues presented the audit team with difficulties in testing for valid creditors/debtors at year end.</p>	<p>We have raised a control point recommendation regarding to the councils creditors and debtors balances and the need for management to undertake a detailed review.</p>
Fixed Asset Register	<p>A fixed asset register is a detailed list of all fixed assets which are owned by a business. Its main purpose is to enable an organisation to accurately record and maintain both financial and non-financial information pertaining to each asset. The fixed asset register is supposed to be reconciled to the general ledger on an annual basis as part of the close process and it is also used by the council's valuer to undertake the annual valuation exercise. A number of issues were identified by the new finance team in reviewing the council's property plant and equipment balance and fixed asset register.</p> <ul style="list-style-type: none"> • Opening Reconciliations - The council's fixed asset register runs on an annual basis. The prior year cannot be altered once it has been closed. To recognise the PPAs in the asset register management have had to make postings to the open year in the register, rather than the correct year. These do not impact on the closing balances for 18-19, however they make it very difficult to identify the appropriate balances for 17-18, and 16-17. • Disposals – the new finance team identified a number of assets that had been disposed of in the prior periods but had not been appropriately written off the council's fixed asset register, resulting in an overstatement of both the gross book value the assets and the accumulated depreciation related to those balances. • Additions – a review of the additions included within the accounts identified that some of the capital additions were inappropriately capitalised within the council's fixed asset register. 	<p>We have raised a control point recommendation regarding the management of the council's fixed asset register.</p>

2. Significant Findings – matters discussed with management

Issue	Commentary	Auditor View
Internal Recharges	<p>The council uses internal recharges for the purpose of internal budgetary purposes, however, internal recharges are required to be eliminated as part of the preparation of the financial statements as this could lead to an overstatement of both gross income and gross expenditure. A number of issues were noted in our review of both income and expenditure.</p> <ul style="list-style-type: none"> The council was unable to provide a reconciliation of all the internal recharges within the financial statements and how these were eliminated as part of the closedown process. Therefore, we were unable to conclude on whether the balances included in the CIES are fairly stated or appropriately netted off. A review carried out by the new finance team identified a number of internal recharges credited to the revenue account and with a corresponding debit entry to the council's capital projects. This recharge was based on what appears to be a notional percentage of the council's projects for that year. We were unable to establish whether these costs were appropriately eliminated, therefore this means both the council's property plant and equipment and the council's general fund were overstated. Management's best estimate of inappropriately capitalised internal recharges is £7.8m up to 2018/19 and was £11.2m (at time of audit) 	<p>We have raised a control point recommendation regarding the internal recharges requiring elimination within the council's financial statements and ensuring management kept a record/audit trail of the council's internal recharges and ensuring their accounting is appropriate.</p>
Significant events or transactions that occurred during the year	<p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>The Council requested an updated net pension liability calculation from its actuary to include the impact of the McCloud ruling. This has been updated in the liability reflected in the final financial statements.</p>	<p>We have reviewed the updated actuarial valuation report and the assumptions underpinning it, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p>
Accounting for pooled investment funds	<p>The new accounting standard, IFRS 9 Financial Instruments, was implemented from 1 April 2018. This required the Council to review the classifications and accounting treatment of its investments.</p> <p>The Council used its external advisor to provide support during this process.</p> <p>The review has resulted in the classification of pooled investment funds under IFRS 9 as 'fair value through other comprehensive income'.</p> <p>In our opinion IFRS 9 does not permit for these type of investments to be designated under this classification.</p>	<p>Following an internal review by our technical team and discussions with management and their investment advisors, it was agreed that the initial classification would be amended to FVPL and the required adjustments made to the accounts. These adjustments impact the Comprehensive Income and Expenditure Statement however due to the available statutory override these do not impact the General Fund.</p>

2. Financial Statements – Additional Areas of focus – Other Risk Areas

Issue	Commentary	Auditor View
Cash	<p>We have carried out a detailed review of the working papers provided to support the cash and cash equivalents balance in the financial statements, including analysis of all bank accounts and associated bank reconciliations. This involved a review of the process for inclusion and reconciliation of the school bank accounts as well as the main council accounts.</p> <p>The process for bank reconciliations applied by the Council is complex and utilises numerous account codes within the ledger. During our review of the reconciliations we identified a number of reconciling items which were several years old.</p> <p>The use of balance sheet holding accounts which delay the posting process, weaken controls over cash and has inevitably led to significant delays in clearing old items. The inconsistent use of ledger codes also adds to the confusion, e.g bank accounts that are not (Miscellaneous) and cash in transit which isn't cash in transit in the usual sense (Accounting Officers) but cash in transit through the ledger.</p>	<p>We have raised a control recommendation to management regarding the council's bank reconciliation process weaknesses</p>
Loans to James Elliman Homes – accounting treatment and valuation	<p>The Council has made a drawdown facility available to the subsidiary, James Elliman Homes (JEH), to help fund their capital programme with interest charged on part of the balance and the remainder was provided interest free. As at 31 March 2019, £29.9m had been provided in loans.</p> <p>The interest free loan element had been accounted for as 'deemed equity' and held at fair value. However, under Code requirements this should be treated as a soft loan and valued based on the discounted cashflows over the life of the loan.</p> <p>The Council reviewed the basis of the accounting and this resulted in the amendment to the valuation and accounting of the loan. The Council used its external advisor to provide support during this process.</p> <p>The revised valuation for the JEH investment provided by management includes the adjusted value for the soft loans to JEH and an additional valuation for the holding at fair value which was not part of the original value in the draft accounts.</p>	<p>Following an internal review by our technical team and discussions with management and their investment advisors, it was agreed that the accounting treatment and basis of valuation would be amended. Management have amended the accounts to reflect this change.</p>
Other Matters	<p>Dedicated Schools Grant: The council was unable to provide a reconciliation of the council's dedicated school schools grant working and a record of the expenditure that reconciles back to Note 13</p> <p>Housing Benefit Expenditure: Our review of the council's housing benefit expenditure, we noted a discrepancy between the housing benefit expenditure per the Housing Benefit System (Academy)/Subsidy Form and the General Ledger. This discrepancy meant the general ledger was understated by £1.6m . We requested management to provide reconciliation between the feeder system and the ledger, however, we established, no reconciliation appears to have been completed between the two systems and management could not explain the discrepancy.</p> <p>Business Rates & Council Tax: The new Finance Team have had to undertake a reconciliation between the business rates systems and the council tax systems as result of inadequate records that were kept by the previous team and mapping issues identified between the feeder systems and the general ledger. The new Finance Team have had to undertake further work ensure the completeness and accuracy of both system, and this has resulted in the following adjustment.</p>	<p>Local Authorities are required to keep adequate records for audit under the Local Audit and Accountability Act 2014. Inadequate or poor accounting records can result in poor decision making and challenging for auditors to substantiate transactions and assess whether a council is delivering value for money on services.</p>

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Buildings</p> <p>Draft: £285m</p> <p>Final: £232m</p>	<p>The group re-values 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 and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets at the financial statements date, where a rolling programme is used.</p> <p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> We have assessed the Council's valuers, Wilks Head and Eve, to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate. Our work is still ongoing in this area as we are awaiting evidence of indicated floor areas for a number of properties. We have reviewed the consistency of the estimate against the report by the auditor's expert, Gerald Eve, and reasonableness of the increase in the estimate. We have checked the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts with some differences being identified. <p>Note 4 – does not currently disclose the estimation uncertainty relating to land and buildings, specifically the inputs and assumptions within the valuation that are sensitive to change and could result in material adjustment to the council's land and buildings carrying value within the next 12 months.</p> <p>In addition, in light of the valuation issues identified during the course of the 2017-18 audit, the Council commissioned a further review and revaluation of assets at 1 April 2018, and as a result, required a material restatement to the opening PPE balances in the financial statements.</p>	Blue

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Investment property valuations</p> <p>Draft: £89m</p> <p>Final: £66m</p>	<p>The group re-values its investment property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but a revalued annually according to market conditions at the year-end.</p>	<p>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</p> <p>There have been no changes to the valuation method this year.</p> <p>We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve who provide market data.</p> <p>Disclosure of the estimate in the financial statements is considered adequate could but this could be enhanced to include Investment Property and the estimation uncertainty including a sensitivity analysis</p> <p>We have considered the completeness and accuracy of the underlying information used to determine the estimate and have challenged the appropriateness of the classification as investment for a sample of properties.</p> <p>Note 4 – does not currently disclose the estimation uncertainty relating to investment properties. It is our view the council's investment property (material), should disclose and enhance Note 4 to include estimation uncertainty relating to investment property including a sensitivity analysis, if they are likely to result in material adjustment to the investment property's carrying value within the next 12 months.</p>	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																																
<p>Net pension liability</p> <p>Draft: £288m Final: £273m</p>	<p>The Council's total net pension liability at 31 March 2019 comprises £273m (PY £265m) in relation to the Local Government Pension Scheme as administered by Berkshire County Council.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We have assessed the actuaries, Barnett Waddingham, to be competent, capable and objective. We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PWC Range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.35%-2.45%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>2.40%- 2.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>3.10% to 4.35%</td> <td>●</td> </tr> <tr> <td>Mortality assumptions – longevity at 65 for current male pensioners (years)</td> <td>22</td> <td>20.6 - 23.4</td> <td>●</td> </tr> <tr> <td>Mortality assumptions – longevity at 65 for future male pensioners (years)</td> <td>23.7</td> <td>22.2 - 25.0</td> <td>●</td> </tr> <tr> <td>Mortality assumptions – longevity at 65 for current female pensioners (years)</td> <td>24.0</td> <td>23.2 -24.8</td> <td>●</td> </tr> <tr> <td>Mortality assumptions – longevity at 65 for future female pensioners (years)</td> <td>25.8</td> <td>25.0– 26.6</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We have confirmed there were no significant changes in 2018/19 valuation method. We have confirmed that the Council's share of the pension scheme assets is in line with expectations. 	Assumption	Actuary Value	PWC Range	Assessment	Discount rate	2.4%	2.35%-2.45%	●	Pension increase rate	2.4%	2.40%- 2.45%	●	Salary growth	3.9%	3.10% to 4.35%	●	Mortality assumptions – longevity at 65 for current male pensioners (years)	22	20.6 - 23.4	●	Mortality assumptions – longevity at 65 for future male pensioners (years)	23.7	22.2 - 25.0	●	Mortality assumptions – longevity at 65 for current female pensioners (years)	24.0	23.2 -24.8	●	Mortality assumptions – longevity at 65 for future female pensioners (years)	25.8	25.0– 26.6	●	Light Purple
Assumption	Actuary Value	PWC Range	Assessment																																
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Assessment

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

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, except mentioned in other parts of this document.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the group, the wording of which will be provided separately.

2. Financial Statements - other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmations.
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found material omissions in the financial statements and these are reflected in the Appendix C</p> <p>Note 3 – Management have included the following as critical judgements in applying accounting policies. Following review of the accounts for 2018/19, we do not consider these to meet the requirements of IAS 1.122 as these should relate judgements applied by management in the application of significant policies and should disclose the values that are materially impacted by the judgments.</p> <ul style="list-style-type: none"> - Future Funding - Schools Recognition - Interests in Council-owned companies - Business Rates Pooling - Infrastructure Assets - Provisions for business rates and bad debt debts <p>Note 4 – Management have included the following as assumptions made about the future and other sources of estimation uncertainty. In our view, these do not meet the requirements of IAS 1, as this disclosure should only include assets, and liabilities with assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.</p> <ul style="list-style-type: none"> - Valuation of council dwellings - Impairment allowance of doubtful debts - Provisions
Audit evidence and explanations/ significant difficulties	We have faced difficulties in auditing the council's records and identified a number of material misstatements in the current year and prior year. The new finance team have also identified issues in the record keeping at the council which has resulted in a number of adjustments to the prior period audited accounts. Refer to significant matters discussed with management.

2. Financial Statements - other communication requirements



Our responsibility

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

Going concern commentary

Management's assessment process

The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

Auditor commentary

- As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).
- We have subjected the budget and high level revenue MTFP to detailed scrutiny, and reviewed the planned savings proposals in our consideration of the appropriateness of management's use of the going concern assumption.
- The Council has also prepared a detailed going concern assessment for our consideration.

Concluding comments

Auditor commentary

Following the Council's initial request to the Government for additional financial support, in June 2021 the Department for Levelling Up, Housing and Communities (DLUHC) announced that support would be made available. However, this was accompanied by an external assurance review examining both the Council's financial position and the strength of its wider governance arrangements, which highlighted areas that the Council needed to address.

In March 2022 the Council received agreement, in principle to a Capitalisation Direction totalling £307m. This has enabled the Council to deal with historical accounting deficiencies and to set a balanced budget for the financial years 2019/20 to 2022/23. The Direction is subject to a range of conditions and to regular monitoring by the Commissioners and DLUHC.

Having regard to the arrangements and factors highlighted above, the Section 151 Officer concluded that Slough Borough Council remains a going concern and that it is appropriate for the Council's Statement of Accounts for 2018/19 to have been prepared on this basis.

Our review of the Council's assessment concurs with this view and we will continue to monitor the Council's progress with its financial plans over the coming months.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>The council has presented an updated Annual Governance Statement and Narrative Report in the July 2022 accounts. Further updates to the Council's Narrative Report are expected and will be subject to audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. <p>We highlight elsewhere in this report that we have been required to issue statutory recommendations under S24 of the Local Audit and Accountability Act.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>As the Council exceeds the specified group reporting threshold of £2 billion we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>This work is not yet completed and the timelines for this work have not yet been confirmed. We anticipate completing this work in 2023.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2018/19 audit of Slough Borough Council in the audit report, as detailed in Appendix E, due to the following work being incomplete:</p> <ul style="list-style-type: none"> • required procedures on the Council's WGA return.

3. Value for Money

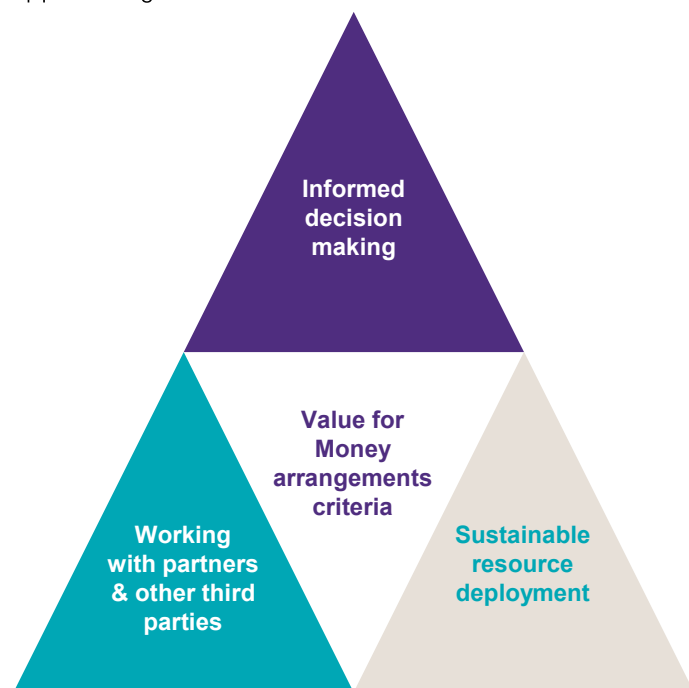
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2019. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

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

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan, we identified the additional significant risk as a result:

- Slough Children's Services Trust (SCST) provides the Council's children's social care services. We identified the possible failure of SCST due to its deteriorating financial position and ability to manage demand as a significant risk.

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

Value for Money

Our work

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

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

- The Council did not have adequate arrangements in place to ensure financial sustainability, and should be strengthened to ensure robust and realistic savings plans are in place. Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with Department for Education on the recoverability of financial support to Slough Children's Trust, the Council has recently sought further financial support through DLUHC. This coupled with further adjustments required to the Council's financial position arising from the audit and a number of significant other financial adjustments identified by the Council's new finance team, gives indication that without further government financial support, that the Council would not be financially sustainable.
- The Ofsted inspection in January 2019 identified an improvement in the arrangements for Children's Social Care services, they were no longer rated as 'inadequate', but rated as 'require improvement to be good'.
- The Council did not have adequate arrangements in place to ensure reliable and timely financial reporting that supports the delivery of strategic priorities due to weaknesses in processes for preparing the 2017-18 financial statements (which took place during 2018-19), and significant weaknesses in the quality of working papers supporting the 2018-19 financial statements, resulting in a disclaimer opinion.
- In relation to our additional risk relating to Slough Children's Services Trust (SCST):-
 - inadequate arrangements were in place to deliver strategic priorities or understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management including where relevant, business cases supporting significant investment decisions.
 - during 2018/19 the Council did not demonstrate sound governance arrangements to ensure that elected members (Cabinet or the Education and Children's Scrutiny Committee) were updated on the progress of SCST through formal committee meetings.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 31 to 37.

Overall conclusion

Based on the work we performed to address the significant risks, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described and later in our report, we are not satisfied that, in all significant respects Slough Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

These recommendations are set out in Appendix B, along with an updated commentary from Council management, which provides the latest position on the Council's progress in implementation, since the recommendations were first issued in May 2021.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Significant risk

Financial Sustainability of the Council - Medium Term Financial Strategy (MTFS)

The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Slough Borough Council currently has a budget gap of £1.291m over four years to 2022/23. The Council has set a balanced budget for 2019/20 to 2021/22. In the short term, the Authority has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The Authority expects an estimated £9m reduction in central funding per annum to 2024/25 which further enforces the need to identify alternative methods of achieving the Authority's financial position for the future.

We will review the Authority's arrangements to prepare robust savings plans and how these have been challenged and consider the plans to identify further savings to address the future funding gap.

We will review monitoring arrangements, including the robustness of the Council's Medium Term Financial Strategy, the delivery of the 2018/19 budget, and the action taken when plans are not being delivered.

Findings

Medium Term Financial Strategy

The Council has an agreed Medium-Term Financial Strategy which was presented to Cabinet in December 2017 and subsequently updated and reported in July and October 2018. Reasonable assumptions have been made for CT, retained business rates and RSG. The MTFS included the savings required across the three years, 2018/19 to 2020/21 of £11.012m.

The budget and savings identified in the MTFS are updated and approved within the budget setting process which was completed in February 2019, savings of £6.3m were agreed for 2018/19.

Savings Plans

In 2018/19 the Directorates were not given specific savings targets but asked to offer up what savings they could deliver. Those savings that were identified it was the Directorates responsibility to risk assess the savings plans, ensure they are deliverable and have action plans/business cases in place to ensure delivery.

The Directorates identified a range of different savings, 34 in total which included savings as well as additional income to the value of £6.262m. These were agreed by CMT and reported to Cabinet as part of the budget setting process in February 2019.

The Council does not have a corporate assurance or project management process in place to assess the savings schemes or to check the robustness of the action plans.

Conclusion

Auditor view

The Council should take urgent action to develop a clear, sustainable financial plan to significantly replenish its levels of useable reserves in order to ensure financial resilience for the future. Further details are set out in our statutory recommendations reports, where we have set out recommendations under section 24 of the Local Audit and Accountability Act.

Value for Money

Significant risk	Findings	Conclusion
<p data-bbox="47 414 705 478">Financial Sustainability of the Council - Medium Term Financial Strategy (MFTS)</p> <p data-bbox="47 478 705 622">The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Slough Borough Council currently has a budget gap of £1.291m over four years to 2022/23. The Council has set a balanced budget for 2019/20 to 2021/22.</p> <p data-bbox="47 654 705 861">In the short term, the Authority has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The Authority expects an estimated £9m reduction in central funding per annum to 2024/25 which further enforces the need to identify alternative methods of achieving the Authority's financial position for the future.</p> <p data-bbox="47 893 705 1005">We will review the Authority's arrangements to prepare robust savings plans and how these have been challenged and consider the plans to identify further savings to address the future funding gap.</p> <p data-bbox="47 1037 705 1149">We will review monitoring arrangements, including the robustness of the Council's Medium Term Financial Strategy, the delivery of the 2018/19 budget, and the action taken when plans are not being delivered.</p>	<p data-bbox="705 414 1825 446">Savings Plans continued</p> <p data-bbox="705 462 1825 590">Progress on delivery of the savings plans is reported quarterly to Cabinet in the Revenue Budget Monitor Reports. These reports include the financial position against budget for each Directorate. In 2018/19 the Council delivered a small overspend of £0.051m, although four of the five Directorates overspent, except for the Chief Executive Directorate, with £3m underspend in non-service areas.</p> <p data-bbox="705 606 1825 718">The Council reported achieving savings £6.42m, although these were not always as planned and included a high proportion of income. The savings plans were not supported with detailed savings plans and business cases. Arrangements could be strengthened by introducing corporate oversight and review of savings plans to ensure they are robust and realistic.</p> <p data-bbox="705 734 1825 766">Update since August 2020 audit committee meeting</p> <p data-bbox="705 782 1825 1085">Since our last report, in light of the impact of Covid 19 on the future financial position of the Council, coupled with the impact of a recent business rate appeal and the ongoing discussions with Department for Education on the recoverability of financial support to Slough Children's Trust, the Council sought further financial support through DLUHC. This coupled with further adjustments required to the Council's reserves arising from the audit, gave indication that general fund reserve levels (both earmarked and unearmarked) are at unsustainably low levels requiring action from the Council. A substantial over accrual of anticipated profits from the Council's interests in Slough Urban Renewal has resulted in a further reduction of general fund reserves of £7.573m in the 2018-19 accounts. Thus reducing current forecasted General Fund Reserves down to only £550k. The previous finance team who were involved in producing the first draft accounts subsequently left the Council during early 2021</p> <p data-bbox="705 1101 1825 1212">A new finance leadership team was appointed during 2021 with considerable financial expertise and experience of working with or for other local authorities in the sector. The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19. Significant further financial shortfalls were identified.</p> <p data-bbox="705 1228 1825 1372">Following the Council's initial request to the Government for additional financial support, in June 2021 the Department for Levelling Up, Housing and Communities (DLUHC) announced that support would be made available. However, this was accompanied by an external assurance review examining both the Council's financial position and the strength of its wider governance arrangements., which highlighted areas that the Council needed to address.</p> <p data-bbox="705 1388 1825 1500">In March 2022 the Council received agreement, in principle to a Capitalisation Direction totalling £307m. This has enabled the Council to deal with historical accounting deficiencies and to set a balanced budget for the financial years 2019/20 to 2022/23. The Direction is subject to a range of conditions and to regular monitoring by the Commissioners and DLUHC.</p>	<p data-bbox="1825 414 2172 446">See previous page</p>

Value for Money

Significant risk	Findings	Conclusion
<p>Principles and values of sound governance and internal control</p> <p>In the prior year, the Authority's auditor identified significant weaknesses in arrangements to prepare the financial statements to support informed decision making, resulting in a modified opinion on the use of resources for the year ended 31 March 2018.</p> <p>We will consider the Council's system of internal control and governance procedures and its progress in addressing the previously identified recommendations.</p>	<p>There remained weaknesses and material misstatements in the preparation of the 2017-18 Statement of Accounts that took place during the 2018-19 financial year. The Council set out a detailed action plan at the conclusion of the 2017-18 audit and we recognise that many of these actions will take time to implement and embed into the Council's financial processes and procedures. Action has been taken by the Council to address capacity issues in the finance team and seek additional external advice and support on a number of areas of the financial statements, but there is still significant scope for improvement in the quality of the underlying working papers to ensure that the financial statements are free from material error.</p> <p>The Council has had difficulties producing supporting information for a number of areas in the financial statements resulting the 2018-19 audit not yet being completed. They have relied on the use of the CIPFA Big Red Button which has resulted in issues understanding the audit trail between the ledger and Trial Balance and how these reconcile to the Council's financial statements.</p> <p>Our 2018-19 audit work identified a number of in year and prior period adjustments particularly in the area of PPE valuations and accounting for additions and disposals of assets. Our audit identified a number of control deficiencies in internal controls in respect of:</p> <ul style="list-style-type: none"> • Quality of working papers supporting the financial statements • Lack of critical review of the draft financial statements and supporting audit working papers prior to audit • Inadequacy of reconciliation and review of debtors and creditors • Lack of clarity around bank reconciliations, particularly in relation to School bank accounts • Inadequate maintenance of the fixed asset register, with examples identified where prior year transactions had not been correctly removed from the asset register or material transactions had been incorrectly accounted for during the year. • Inadequate processes and documentation for journal postings <p>As set out in our executive summary to this report, the new finance team has attempted to produce a set of financial accounts fit for audit. However, their initial starting position was the previous version of the accounts and general ledger (containing thousands of accounting entries) prepared by the old finance team, which had several legacy issues. The new finance team has had to: undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems, conclude whether the information is available or not. As mentioned, some members of the old finance team who prepared the first draft of the accounts or posted accounting transactions are no longer employed at the council. Therefore, it has been difficult to obtain supporting evidence or explanations to transactions posted in 2018/19 and prior periods. These issues have clearly increased the complexity of preparing the accounts, correcting errors and concurrently elevated our audit risks. Due to the incompleteness of records we propose to issue a disclaimer opinion on the 2018-19 financial statements.</p>	<p>Auditor view</p> <p>We consider that adequate arrangements were not in place due to:</p> <p>weaknesses in processes for preparing the 2017-18 financial statements (which took place during 2018-19), and ongoing weaknesses in the quality of working papers supporting the 2018-19 financial statements</p>

Value for Money

Significant risk	Findings	Conclusion
<p data-bbox="56 443 705 499">Principles and values of sound governance and internal control</p> <p data-bbox="56 531 705 675">In the prior year, the Authority's auditor identified significant weaknesses in arrangements to prepare the financial statements to support informed decision making, resulting in a modified opinion on the use of resources for the year ended 31 March 2018.</p> <p data-bbox="56 707 705 790">We will consider the Council's system of internal control and governance procedures and its progress in addressing the previously identified recommendations.</p>	<p data-bbox="719 443 1525 499">In addition as part of our overall VFM work we reviewed the draft Annual Governance Statement (AGS) as published on the Council's website.</p> <p data-bbox="719 515 1525 738">The draft AGS sets out how the Council complied with the seven principals of good governance, however this document could be clearer on how the governance arrangements have been reviewed. Priority outcomes are discussed, as defined in the Council's 5 Year Plan, with a summary of progress against these outcomes but not how the governance arrangements support their delivery. An update is provided on the LGA peer review. In addition, an update is provided on the issues reported in 2017/18, the action taken in 2018/19 and if this is still an issue in 2019/20.</p> <p data-bbox="719 754 1525 790">Arrangements could be improved by developing the AGS and introducing:</p> <ul data-bbox="719 790 1525 983" style="list-style-type: none"> • assessment of the effectiveness of the framework • how the Council is defining outcomes in terms of sustainable economic, social and environmental benefits • an action plan, that brings together and addresses all the significant issues faced by the Council • a formal mechanism that monitors and assesses the progress of the issues and recommendations raised in the AGS throughout the year. 	<p data-bbox="1541 443 2159 467">Auditor view</p> <p data-bbox="1541 483 2159 595">We consider there is scope to ensure that the Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively.</p>

Value for Money

Significant risk	Findings	Conclusion
<p>Children's Social Care Services</p> <p>In the prior year, Ofsted identified weaknesses in Children's Social Care services, resulting in a modified opinion on the use of resources for the year ended 31 March 2018.</p> <p>We will consider the:</p> <ul style="list-style-type: none"> • Council's progress against the previously identified recommendations • actions taken by the Authority to address the recommendations raised by Ofsted • Authority's processes for monitoring the progress against recommendations raised • results of any follow up inspections by external bodies. 	<p>The arrangements within Children's Social Care Services have been viewed as inadequate by Ofsted since 2011. In January 2019 Ofsted undertook a detailed inspection which concluded that services had improved, although the services 'require improvement to be good'.</p> <p>This change in rating occurred nine months into the year and the inspection report acknowledged that the pace of change had accelerated in the six months prior to the inspection. In addition, the monitoring report completed in May 2018 concluded that there continues to be positive improvement.</p> <p>Prior to this inspection Ofsted were making regular contact with the Council every two to three months. A Joint Improvement Board, a multi-agency non-public board was responsible for monitoring and ensuring progress. The Board met monthly during 2018/19. This Board was disbanded following the improved rating being awarded.</p> <p>Significant improvement is still required to improve the Ofsted rating in subsequent inspections and the Slough Children's Services Trust (SCST) has developed an action plan to address the recommendations raised by Ofsted. This is monitored by the Council through its Partnership Board meetings and in one to one meetings with the Director of Children's Services and the Chief Executive of SCST, as well as by the SCST Board.</p>	<p>Auditor view</p> <p>We consider that adequate arrangements are in place as indicated by the improvement in rating following the Ofsted inspection. Significant progress is still required to improve the Ofsted rating further.</p>

Value for Money

Significant risk

Slough Children's Services Trust (SCST)

SCST provides the Council's children's social care services. We identified the possible failure of SCST due to its deteriorating financial position and ability to manage demand as a significant risk.

We will review the:

- arrangements to monitor performance of SCST and action to address underperformance
- the current financial position of SCST and what action the Council plans to undertake
- understand the contract arrangements with regards to managing demand and if the Council is required provide additional funding.

Findings

In 2015 following two Ofsted judgements of 'inadequate' the Secretary of State exercised her powers under the Education Act 1996 to set up a separate organisation to carry out the Council's children's social care functions. In October 2015, SCST was established and took over the management of Council's children's social care services. The cost of establishing SCST was met by the DfE, whilst the Council provided a working capital loan to the value of £4.2m to be repaid after six years. The Council pay SCST in the region of £24m for the delivery of the children's social care services.

SCST was the result of a Statutory Direction from the Secretary of State on the Council and to begin with this had a detrimental impact on the relationship between SCST and the Council. Following changes in personnel within both organisations this began to improve.

The Council has a legally binding contract for the delivery of services with SCST and retains statutory responsibility. However, this is not a commercial contract, changes require agreement of the DfE and the Council does not have step in rights and cannot terminate the contract. In 2017 the contract was reviewed and all parties recognised the inadequacies of the contractual arrangements. However, due to a lack of capacity and so has not to detract from the improvement journey and the expected imminent Ofsted inspection a decision was made to complete a deed of variation (DoV). This decision included the Council, SCST and the DfE. The deed of variation DoV looked to improve governance and oversight of the contract by clarifying and strengthening the contract management arrangements.

In 2018/19 the financial position of SCST began to deteriorate, SCST continued to report a deficit and growth monies were requested to reduce the risk of insolvency. As a result an LGA review of the financial situation facing SCST was commissioned by the Council. This review highlighted inadequacies in the governance arrangements and that SCST's position was not sustainable without additional funding.

Conclusion

Auditor view

We consider that adequate arrangements were not in place:

- to support informed decision making and performance management including where relevant, business cases supporting significant investment decisions.

Value for Money

Significant risk

Slough Children's Services Trust (SCST)

SCST provides the Council's children's social care services. We identified the possible failure of SCST due to its deteriorating financial position and ability to manage demand as a significant risk.

We will review the:

- arrangements to monitor performance of SCST and action to address underperformance
- the current financial position of SCST and what action the Council plans to undertake
- understand the contract arrangements with regards to managing demand and if the Council is required provide additional funding.

Findings

The Council agreed to provide additional growth funds in the region of £1.4m and the Council and SCST continued to work together to repay the working capital loan (£4.2m).

Senior Officers of the Council maintained regular contact with SCST and elected members were informed through meeting with the Lead Member. However, neither Cabinet or the Education and Children's Scrutiny Committee received any formal updates. SCST's Annual Report was not received by the Council until August 2019.

The 2019 LGA peer review also confirmed that governance arrangements were immature in both SCST and the Council and that line of accountability, contract monitoring and shared financial responsibility were unclear.

Contract and performance monitoring were the responsibility of the Directorate and were predominately focused on the changes required to improve the Ofsted rating. Financial monitoring was limited and constrained by the quality of the financial information received by SCST.

The Council did not fully recognise the dire financial position of SCST until August 2019 at which point the deficit had significantly increased. The Council and SCST then held additional discussions, information was requested and elected members were informed of the developing situation.

The Council has devolved contract management arrangements and responsibility sits with the Directorates. It does not have a corporate commissioning/procurement function from which specialist knowledge or expertise can be sought. The Council has agreed contract procedure rules within its constitution for which each Directorate is responsible for ensuring compliance.

Conclusion

Auditor view

We consider that adequate arrangements were not in place:

- to support informed decision making and performance management including where relevant, business cases supporting significant investment decisions.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

In this context, in writing our 2018-19 Audit Plan we needed to bring a specific issue to those charged with governance's attention. Gray's Inn Trading (GIT) Ltd is a group of companies based in the Slough area. A separate special purpose vehicle, Ground Rent Estates (GRE) 5 Ltd, held by GIT Ltd, was acquired by Slough Borough Council on 8 March 2018. At the time of purchase, Grant Thornton were responsible for the audit and tax services for GIT Ltd. Audit and tax compliance services had been provided by Grant Thornton during the 2016-17 financial year, including tax compliance work which commenced in January 2018, nearly three months prior to the 8 March 2018 acquisition date. In addition to the tax compliance work, GT provided tax advice relating to the GRE 5 Ltd company transfer. No work was performed in respect of the 2017-18 year - the firm proposed to continue as the auditor of GRE5 Ltd for 2017/18 but, in view of the acquisition by the Council of GRE5 Ltd, the firm ceased its tax and accounts preparation services for audit year 2017/18. There is therefore no ongoing threat to independence as the firm will not be undertaking accounts preparation or tax work in future years.

For the 2016-17 audit, all fees relating to the audit and tax computation work for the group (including that for GRE 5 Ltd) have been and will continue to be billed to the GIT Group. No fees were billed to either GRE 5 Ltd or Slough Borough Council. The work is inconsequential to the Council (and is not consolidated within the financial statements of the Council) and Grant Thornton had substantially completed, and billed, the majority of the work before Slough Borough Council acquired GRE 5 Ltd in March 2018. The only element of work outstanding at the date of acquisition was the final sign off procedures, including the filing of year end accounts.

No members of the Slough Borough Council audit team had any involvement with the GIT Ltd or GRE 5 Ltd audit and tax services.

Following the subsequent discussions with our Head of Ethics, it has been agreed that there is no ongoing conflict of interest and there is no impact upon our independence and objectivity of the audit of either the Council or the company as the firm ceased its tax and accounts preparation services for the audit year 2017-18. There is therefore no ongoing threat to independence as Grant Thornton will not be undertaking accounts preparation or tax work in 2018-19 or in future years. Grant Thornton has fully reported the circumstances to Slough Borough Council and consulted with PSAA on 12 July 2018. PSAA has confirmed that they support this conclusion.

We are reporting this matter to those charged with governance as required under the Financial Reporting Council Ethical Standard to ensure that they are fully apprised of the situation.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence & non-audit services

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified and reflects all services provided since 1 April 2018 to the conclusion of our 2018-19 audit.

Service	Financial year	£	Threats	Safeguards
Audit related				
Certification of Housing Benefit return	2018-19	95,000	For these three audit-related services, we consider that the following perceived threats may apply:	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is not significant compared to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	2019-20	110,000		
	2020-21	110,000		
Certification of Teacher's Pensions Return	2018-19	7,500	<ul style="list-style-type: none"> • Self-Interest (because these are recurring fees) • Self Review • Management 	The council has requested Grant Thornton to certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions for the period ending 2020/21 and 2021/22. This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.
	2019-20	7,500		
	2020-21	7,500		
Certification of Pooling of Housing Capital Receipts	2018-19	6,000		The Council has requested Grant Thornton to undertake work to certify the Council's annual Pooling of Housing Capital Receipts return for the following years 2018/19, 2019/20, and 2020/21, in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.
	2019-20	6,000		
	2020-21	6,000		
Non-audit related				
CFO insights		£37,500	Self-Interest (because this is a recurring fee)	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team.
TOTAL NON AUDIT FEES		£391,500		

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Corporate Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence & non-audit services

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the Authority.

Service	Date of service	Fees £	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Services in respect of Ground Rent and Estates (GRE 5 Ltd)	September 2017	N/a – fees billed to the GIT group, with no fees billed to either GRE5 Ltd or Slough Borough Council as disclosed on page 39	Yes	No	See page 39 for commentary

We do not believe that the previous services detailed above will impact our independence as auditors

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the group 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 2019/20 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
	<p>Journals: - Our review of the journal control environment and subsequent testing of a sample of journals identified a number of issues: inadequate record keeping or lack of adequate explanation of journals. There is an elevated risk of financial misreporting or fraud using journals due to inadequate controls over journal entries.</p>	<p>The council needs to review and strengthen the process and controls around the posting of journals posted in the general ledger and adjusting entries posted to the trial balance as part of the closedown process. Management need to ensure adequate controls over posters, record keeping of supporting documentation for journal entries.</p> <p>Management response</p> <p>All journals are processed via workflow, with clear segregation between inputters & authorisers.</p> <p>Access controls are being strengthened by removing the input access role from all current users in March 2023 in advance of Year-End and only granting access to approved users.</p> <p>Agresso has the functionality to upload evidence into the system for journals that are input into the system via manual entry. It is not possible to upload evidence for journals uploaded via a batch upload.</p> <p>In the meantime, all evidence for journals processed via batch input are being saved in a designated folder, with periodic reviews and reconciliations carried out to ensure all journals have been evidenced. As this is a completely new way of working for the Council, it is likely to take some time to embed into the culture of the organisation.</p>

Controls

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

B. Follow up on recommendations

We identified the following issues in the audit of Slough Borough Council's 2018/19 financial statements in the first phase of the audit, which resulted in 18 recommendations being reported in our May 2021 Audit Findings report to those charged with governance. The below highlights management's commentary on their progress against those recommendations as at February 2023

Assessment	Issue and risk	Recommendations initially raised in May 2021	Management update on progress on recommendations (Feb 2023)
●	Agreed savings are not supported by robust savings plans and as such are at risk of not delivering as anticipated.	<p>The Council should:</p> <ul style="list-style-type: none"> ensure that savings are supported by robust savings plans and business cases strengthen arrangements by introducing a corporate function, which could assess the likelihood of delivery, the robustness of proposed savings and their supporting plans as well as monitor delivery. <p>Management response</p> <p>The Council has recently undertaken a number of actions that will address this and related issues</p> <p>The Council has amended its officer Strategic Finance Board (SFB) chaired by the Chief Executive to ensure that the Executive Board is fully aware of all pertinent financial matters within the Council and gains a holistic understanding of the Council's finances. This Board is receiving papers on financial standards, the accounts, the budgets and other matters</p> <p>As part of this the Council has:</p> <ul style="list-style-type: none"> Revised its revenue business case and process to ensure that the business case focuses on the case for change, value for money and affordability before moving into the technicalities of procurement etc. Thus assisting in ensuring that the Council's base budget is as robust as it can be and hence helping to provide a more informed base from which to generate any necessary savings Related to savings, the Council has a separate business case for savings which has been supplemented by a Saving Action Plan to assist in the verification and tracking of saving plans going forward The finance service is leading the process for the budget and will in the short term be working with service colleagues to review and challenge all budgeted and future savings, monitor delivery, identify pressures and seek from colleagues mitigations as necessary. It has also revised the equality impact documentation. Going forward a further revised process will be established that will bring into the assessment of savings plans colleagues from other disciplines such as legal, HR, ICT etc – all working closely with service officers Supplementing this the Council is revising its officer budget process to accelerate the timeline for production of the budget to allow for full engagement and scrutiny by Members in all their roles and likewise for full consultation and communication with other stakeholders 	<p>For the 2023/24 budget all savings are now fully supported by robust plans and business cases which have been subject to significant levels of scrutiny during the year but most intensively during December 2022 and January 2023.</p> <p>Key budget issues, risks and savings proposals were presented at the meetings of each Scrutiny Panel by Lead Members, Executive Directors and other senior officers. The Overview & Scrutiny Committee had agreed Key Lines of Enquiry for budget scrutiny in July 2022 and councillors on scrutiny received training on local government finance before scrutiny of the savings proposals commenced.</p> <p>Before considering each individual savings proposal the Committee/Panels were presented with an overview of the Council's financial position and Members agreed with the overall savings target in line with the Corporate Plan objective for the Council to 'live within its means'.</p>

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	We consider there is scope to ensure that the Annual Governance Statement (AGS) more clearly sets out the processes and procedures to enable the Council to carry out its functions effectively.	<p>The governance arrangements could be improved by developing the AGS and introducing:</p> <ul style="list-style-type: none"> • assessment of the effectiveness of the framework, it should be more than a description of what is in place • how the Council is defining outcomes in terms of sustainable economic, social and environmental benefits • an action plan, that brings together and addresses all the significant issues faced by the Council • a formal mechanism that monitors and assesses the progress of the issues and recommendations raised in the AGS throughout the year. <p>Management response</p> <p>The preparation of future AGS is under review and will be considered at a future meeting of the SFB. This will enhance the preparation and use of the AGS. The Chief Executive has also instigated a review of Governance across the Council which will see further enhancements to our Governance arrangements. The outcome of this work will incorporate these recommendations.</p>	<p>Revisions have been made to the 2018/18, 2019/20 and 2020/21 AGS statements to reflect the requirements of the Code of Practice.</p> <p>The 2021/22 AGS has been drafted and shared with senior officers but remains 'open' until the accounts have been audited.</p> <p>A Corporate Governance group has been formed to review such matters and consider the Council's response. This meets on a monthly basis and is chaired by the Monitoring Officer and reports into the Improvement and Recovery Board Governance workstream.</p> <p>A formal system of assurance statements from Executive Directors will be put in place for 2023/24.</p>
●	The Council consolidates a number of group entities into its financial statements, however the accounting year ends are not all consistent with the Council, being 31 March, which adds additional complexity and consolidation adjustments for the Group financial statements.	<p>To facilitate a smooth and efficient group accounts preparation, the Council should work with its group entities to align all accounting year ends to 31 March.</p> <p>Management response</p> <p>This work will commence in June 2021.</p>	<p>6 of the group entities have been closed during 2022. A comprehensive group assessment was carried out by the new finance team. The assessment established that only SUR does not have a year end date. As SUR is a joint venture, only the Council's interest in the company needs to be consolidated into the group accounts. The Council's interest is not material and therefore the year end date does not need to be amended.</p> <p>This will continue to be reviewed once the position of all the companies has been finalised during 2023/24.</p>

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	Effective governance arrangements are not in place to ensure those charged with governance are able to make decisions in an open and transparent way	<p>Cabinet and scrutiny should be regularly updated on the performance of their key services and be able to challenge this performance and have the opportunity to make informed decisions in formal committee meetings.</p> <p>Management response</p> <p>Agreed. We have recently begun the preparation of holistic financial briefings for Officers and Members and these will be further developed in the future. We have also as noted above revised the budget timeline which will allow for more informed Member consideration of the budget and have introduced quality guidance for finance and other officers on the production of budget monitoring reports and financial implications in reports.</p> <p>We will ensure that key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee.</p>	<p>Regular and holistic monthly financial briefings for Officers and Members are in place. For 2023/24 there was a clear timetable for delivering the budget including a timeline which allowed for more informed Member consideration of the budget.</p> <p>Quality guidance for finance and other officers on the production of budget monitoring reports and financial implications in reports has been introduced.</p> <p>Key service financial and performance information is included as a regular agenda item for Cabinet, Scrutiny and the Audit and Governance Committee.</p> <p>A training programme is in place for Members and officers in relation to local government finance and procurement and contract management processes and procedures.</p>
●	Effective contract management arrangements are not in place to effectively manage statutory services that are delivered by third parties.	<p>The Council should consider and ensure effective arrangements are in place in the following areas:</p> <ul style="list-style-type: none"> • Role of elected members, including Members of the Board, as possible shareholder committees or monitoring committees such as the Commercial Sub-Committee, as well as the role of scrutiny committees <ul style="list-style-type: none"> • Elected members who are Board Directors of the SCST need to understand their responsibilities and duties to SCST and ensure they effectively manage any conflicts of interest. All company directors have a duty to act in the best interests of the company rather than in the best interests of the body that has appointed the Director to the company (eg the Council). • Elected members committee functions, this should include those charged with governance who would have oversight of the effectiveness of the SCST Board in line with Council's strategic objectives and statutory duties as well as scrutiny. • The Council would benefit from applying consistent arrangements across the Council for dealing with all its third-party companies and ensure the role of the Commercial Sub-Committee is effective and understood. • Those charged with Governance should receive updates and reports on a regular basis (quarterly as a minimum) to enable informed decision making. <p>Management response</p> <p>The Council has begun reviews of its management of third-party organisations and will be implementing a series of changes which will include among other matters appointing appropriate Senior Responsible Officers to ensure that companies meet their objectives, put in place new arrangements for holding companies to account, reviewing how the companies meet the Council's objectives, a review of the work undertaken by the companies, developing a clear approach to testing value for money etc.</p>	<p>An ongoing programme of improvements for all companies took place during 2022/23 with 6 companies being closed. The remaining companies are subject to a review and series of changes in FY 23/24 including further development of the contract management arrangements and improvements to governance arrangements.</p>



B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
●	<p>Effective governance arrangements are not in place to effectively manage statutory services that are delivered by third parties.</p>	<ul style="list-style-type: none"> The Council should introduce contract management to ensure services are delivered as planned and any mitigating actions can be taken in a timely manner. The Council should consider using its internal audit service to gain assurance that its contract procedures are being effectively applied across all Directorates. <p>Management response</p> <p>The first recommendation is being dealt with as noted above. In respect of gaining assurance this will be undertaken in two ways – through internal audit as described and through reviews by the Finance and Commercial team. The S151 officer is liaising with internal audit to ensure that this requirement is picked up in their 2021/22 and onwards planning and will co-ordinate the work of those undertaking these reviews</p>	<p>The new structure includes a new procurement and contract management team. Appointments have been made to the Head of Commercial and other posts but vacancies remain.</p> <p>An internal audit review of the procurement function is being planned for the first quarter of 2023/24 now a new team is in place.</p>
●	<p>Quality of working papers and clarity of the audit trail</p> <p>As noted on page 13, the audit process was hampered by issues with the clarity of the audit trail including:</p> <ul style="list-style-type: none"> insufficient audit trail to support the movements in the cashflow statement Lack of supporting audit trail for key notes in the accounts such as analysis of the income and expenditure by nature 	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> Review the process used to produce the year end accounts and identify areas where further improvement needs to be made Ensure that all disclosures have supporting working papers and there is a clear mapping between the general ledger and the financial statements <p>Management response</p> <p>The Council has begun a review of the process and will be introducing:</p> <ul style="list-style-type: none"> a comprehensive accounts plan which will be linked to the auditors required by client schedule. This plan will include a comprehensive training plan, a communications plan and a resource plan a three stage quality assurance process will be implemented covering financial standards papers and accounts templates and covering 1) preparation, 2) technical review and 3) sign off review a whole team approach will be instigated through the involvement of the whole finance service to bring greater resilience and resource to this key requirement. improved communication through the project plan which will include regular and early communication to all stakeholders. comprehensive training and development for finance staff which will include how to prepare, and also regular reviews of, working papers that include evidence of the transactions in the ledger, an enhanced checklist of requirements, quality assurance review, links between the working papers and clear mapping to the ledger. Quarterly reports to Strategic Finance Board, the Audit Committee and Cabinet starting in October 2021 on progress and issues identified. 	<p>This is an area that the Council will seek to continuously improve. For the 2018/19, 2019/20 and 2020/21 accounts, the following improvements have been introduced:</p> <ul style="list-style-type: none"> Comprehensive accounts plan linked to the auditors required by client schedule. Standardised templates linked back to the Code have been prepared for all notes and include a three-stage quality assurance process. Improved communication through the project plan. A whole team approach has been instigated. Comprehensive training and development for finance staff including how to prepare, and also regular reviews of, working papers.

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
	<p>Review of financial statements</p> <p>A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit.</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> Develop a year end timetable for the production of the accounts which include sufficient time for management review Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements <p>Management response</p> <p>This will be fully covered as noted above.</p>	<p>This has been completed in line with the improvements highlighted above.</p>
	<p>Group Accounts</p> <p>The basis of preparation of the Council's Group accounts was unclear and the working papers did not provide a comprehensive group consolidation schedule setting out how the group accounts and consolidation adjustments had been determined.</p>	<p>The Council should ensure it prepares a clear and comprehensive group consolidation schedule to support the preparation of its group accounts.</p> <p>Management response</p> <p>This will form part of the much revised and enhanced accounts plan as noted above.</p>	<p>This has been completed in line with the improvements highlighted above.</p>
	<p>Bank reconciliation process</p> <p>As noted on page 19, our review of the bank reconciliation process identified that the process in place in 2018/19 was overly complex and made identification of reconciling items and their clearance difficult. There were also issues identified with the descriptions of reconciling balances within the balance.</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> Perform a review of the bank reconciliation process to simplify the bank reconciliation process and remove all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items. <p>Management response</p> <p>This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.</p>	<p>Bank reconciliation process has been reviewed and amended to make simpler and to respond to the issues raised.</p> <p>Redundant bank accounts have been assessed and processes are in place to close them</p> <p>All functional bank accounts are being reconciled monthly and suspense accounts reviewed and cleared periodically.</p>

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
	<p>Accounting treatments</p> <p>The loans made to JEH had not been accounted for in line with the Code requirements resulting in amendments to the valuation and disclosure in the final accounts.</p> <p>This was a new transaction in 2017/18 although it was not a material balance in the prior year and the accounting treatment had not been documented against Code requirements before inclusion in the financial statements.</p>	<p>We recommend that the Council</p> <p>establish a process for significant transactions such as investments and loans, to be formally considered against the requirements of the Code and the consideration documented and reviewed before being applied..</p> <p>Management response</p> <p>All transactions that require review will be considered against the requirements of the Code to ensure that the accounts going forward are fully Code compliant.</p>	<p>All loans and accounting transactions are reviewed against the requirements of the Code for compliance as part of the improved quality assurance process.</p>
	<p>Debtor and creditor reconciliations</p> <p>During our testing of the debtor and creditor balance there were issues with the client producing reconciled balances which should represent the year end debtor and creditor positions excluding in year movements. Our sample testing of debtors and creditors has not identified any material balances that are not supported.</p> <p>We have discussed this with management and confirmed that a process has been undertaken in 2020 to review debtor and creditor codes and cleared down items which are no longer valid balances.</p>	<p>We recommend that the Council</p> <p>Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not.</p> <p>Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors</p> <p>Management response</p> <p>This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.</p>	<p>Systems and processes have been reviewed. AP & AR control accounts are now reconciled and reviewed monthly by appropriate officers.</p>

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
	<p>Income and Debtors</p> <p>There is no review process over invoices issued before they were sent out to clients. The Council relies on customers to identify and inform them of any errors noted. However there is risk that if the invoice is undercharged and the customers may not raise error, and the Council may suffer a loss from undercharging.</p>	<p>We recommend that the Council</p> <p>Review the internal processes over invoice raising to ensure there is sufficient review of invoices before they are sent to clients</p> <p>Management response</p> <p>This is in the Council's financial action plan and will be begun in June and will be undertaken monthly thereafter once any issues have been resolved.</p>	<p>Systems and processes have been reviewed.</p> <p>Workflows will be in place by the end of March 2023 to ensure that only valid invoices are raised.</p>
	<p>Declarations of interest</p> <p>Councillor and Senior Officer declaration forms are not dated. There is a risk that the declaration record is incomplete or insufficient as a result. The most recent forms for three Councillor declaration forms were signed, but not dated. Signing / dating a declaration form should be standard practice, as it could lead to forms being misfiled, or new interests not being declared in a timely manner.</p> <p>Senior Officers that were working for SBC through a contracting company are not required to complete a Declaration of Interests form.</p> <p>Interim staff are not required to complete the Registers of Interests and Gifts and Hospitality.</p>	<p>We recommend that the Council:</p> <p>ensure that all forms are signed and dated as part of their standard procedures</p> <p>consider whether Officers, including interim staff, should complete declaration forms as they may be able to have a significant influence on the council's high level decisions.</p> <p>Management response</p> <p>The Council requires every entry to the members register of interests to be signed and dated, it is standard practice that this is always followed. In the past 12 months the Council has strengthened the process and a democratic services officer must always countersign each form received from a councillor to ensure completeness.</p> <p>Senior officers declaration forms are not part of this process, and are in fact part of the declaration process for all staff which uses an online HR process to gather the submissions.</p> <p>The Council will look to implement a process by July 2021 to ensure that any interim staff or those recruited through contracting companies are required to complete a declaration of interests form and where appropriate complete their Directorate gifts and hospitality register</p>	<p>The Council now has a template for declaration of related party transactions as part of its closedown procedures, which is separate and in addition to the Declaration of Interests form previously in place.</p> <p>All Senior Officers, including interim staff, and Members are required to complete this template as part of the closedown process.</p>

B. Follow up on recommendations

Assessment	Issue and risk	Recommendations	Management update on progress on recommendations (Feb 2023)
	<p>Fixed asset register</p> <p>The client informed us of a number of properties which had not been removed / reclassified in the fixed asset register prior to the production of the year end financial statements.</p> <p>We also identified material assets which had been fully depreciated and were held at net nil valued in the fixed asset register and accounts.</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> establish a process to perform and annual review of assets to ensure that all disposals and reclassifications are amended establish an in-year process for capital movements to be notified on a timely basis to the finance team to ensure the fixed asset register is maintained accurately. This should be reconciled to the accounts as part of the year end closed own procedures. <p>Management response</p> <p>The Council be moving to a quarterly closedown process once it has undertaken a through review of all accounts and budgets which will pick up the above on a much more timely basis.</p>	<p>An annual review has been carried out for previous financial years.</p> <p>Quarterly reconciliations process is yet to be instigated but will be in place during 2023/24 as part of the capital monitoring process to ensure that asset movements and reclassifications are captured appropriately</p>
	<p>Capital accounting process</p> <p>The purchase of Thames Valley University had been accounted for using the stage payments as additions rather than the cost and a liability. This resulted in a material error in the current and prior year.</p>	<p>We recommend that the Council</p> <ul style="list-style-type: none"> establish a process for reviewing and documenting the accounting treatment of significant transactions to ensure they are accounted for in line with the Code. This should be subject to internal review <p>Management response</p> <p>All transactions that require review will be considered against the requirements of the Code to ensure that the accounts going forward are fully Code compliant. As noted above the Council will be introducing a three stage quality assurance process throughout its accounts preparation.</p>	<p>All loans and accounting transactions are reviewed against the requirements of the Code for compliance as part of the improved quality assurance process.</p>
	<p>HRA valuation records</p> <p>Our testing identified inconsistencies in the accounting records between the categorisation of HRA properties held on the Capita Housing Rents system and the Council's fixed asset register. It is important that these two systems are reconciled on a regular basis to inform the Council's HRA valuation.</p>	<p>The Council should ensure that a regular reconciliation process is carried out between its Capita Housing Rents system and the Council's fixed asset register to ensure records are consistent and provide an accurate basis to inform the valuation of its HRA properties in the financial statements</p> <p>Management response</p> <p>All reconciliations across the whole of the Council's finances are being reviewed including this, bank accounts and debtor and creditor reconciliations accounts as noted above and will begin in June and be undertaken monthly thereafter once any issues have been resolved.</p>	<p>This process has been undertaken and discrepancies amended accordingly. On going reconciliation process is in place.</p>

C. Changes to the Original Draft Accounts.

The following table highlights the changes to balances from the original draft accounts prepared by management in July 2019 to the Final draft accounts. The Final draft accounts was prepared by the new management team and includes 2017/18 restated balances and a third balance sheet (not included here). The summary of changes here highlights those that are of the most significant to those balances.

Prior Year Audited Accounts £ 000's	Final Restated Prior Year £ 000's	Description of issue identified	2018-19 Draft Accounts. £ 000's	2018-19 Final Accounts £ 000's
913,666	874,869	Property Plant and Equipment: <ul style="list-style-type: none"> Disposals: Restated the Net Book Value of assets due to disposal of assets not previously written off the Fixed Asset Register and a reductions of depreciation – total impact of the misstatement is – Prior Year: £2.4m Current Year £19.7m Thames Valley University : Restated due to previously misstated and incorrectly categorised Thames Valley University acquired on credit arrangement in 2017/18. The council initially accounted for this acquisition as an investment property and incorrectly accounted for a third of the asset's value. Prior Year: £27.3m Current Year £9.1m Infrastructure Asset: Restated as a result of the carrying value of Infrastructure Assets being overstated and the Accumulated Depreciation being overstated – total impact of misstatement. Prior Year: £32.2m Current Year £44.8m Revaluation: Restated as a result of the assets valued at the end of March 2018 being materially misstated due to incorrect floor areas used by the valuer – total impact of the misstatement is: Prior Year : £11.5m Current Year £21.1m Additions: Restated as a result of inappropriate accounting of internal recharges, inappropriate capitalisation of revenue expenditure. Prior Year: £23.8m Current Year £3.2m Depreciation: Restated as a result of the council not appropriately disclosing the council's accumulated depreciation and not being zeroed out after formal revaluation – total impact of the misstatement is Prior Year: £4.5m Current Year £3m 	1,046,088	933,361
67,656	55,835	Investment Property <ul style="list-style-type: none"> Restated as a result of inappropriate accounting of Thames Valley University Site whereby management initially recognised a third of the acquisition cost of the asset, therefore not consistent with IAS16. The Thames Valley Site has subsequently been reclassified to Property Plant and Equipment as it did not meet the requirements of IAS 40. – total impact of the misstatement is: Prior Year is £11.3m and Current Year £9.1m Restated as a result of investment properties adjustment for fair value movements and write-off of disposed off in prior periods that had not been amended on the Council's accounting records. The total impact of this adjustment is £1.8m in the Prior Year. 	88,560	66,124
22,930	17,670	Long Terms Investments. <ul style="list-style-type: none"> Restated due inappropriate accounting of 'soft loans' advanced to the council's subsidiary James Elliman Homes in 2017/18 as the terms were below market commercial rates. This has been reclassified from Long Term Investment to Long Term Debtors. Prior Year: £5.2m Current Year £4.2m 	43,353	25,057
8,161	13,893	Long Term Debtors <ul style="list-style-type: none"> Restated due inappropriate accounting of 'soft loans' advanced to the council's subsidiary James Elliman Homes in 2017/18 as the terms were below market commercial rates. This has been reclassified from Long Term Investment to Long Term Debtors. Prior Year: £5.2m Current Year £4.2m 	9,385	31,208

C. Restated Balances to Final Accounts Audit

Prior Year Audited Accounts £ 000's	Final Restated Prior Year £ 000's	Description of issue identified	2018-19 Draft Accounts £ 000's	2018-19 Final Accounts £ 000's
32,945	36,949	<p>Short Term Debtors.</p> <ul style="list-style-type: none"> Slough Urban Renewal - The distribution of the Council's share of profits from Slough Urban Renewal LLP in 2019/20 had been inappropriately accrued for in 2017/18 and 2018/19, before the distribution were declared by the company. Therefore the accrual has had to be reversed reducing income by £4.309m in 2017/18 and £3.264m in 2018/19. The total amount being reversed £7.2m Grossing Up - restated due to inappropriate grossing up of credit entries within creditors in the prior year of £14.9m. This entry has been reversed out : - total impact of the error is Prior Year £14.9m & Current Year £14.9m. Collection Fund - restated balance due to a debtor balance in respect of the council's share of the collection fund raised in 2014/15 not being correctly reversed out in the subsequent period and correction not being amended resulting in overstatement of debtors. Total impact of the misstated is : Prior Year £6.3m Draft Accounts £6.3m. Essex Council - restated balance as a result of inappropriate accounting of a contingent asset that was included within the debtors balance. The council was subsequently awarded £0.3m following a legal settlement. Impact of misstatement in Prior Year: £1.7m and Current Year. £1.4m Overage Contracts: Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. Prior Year £1.1m in 2017-18 and £0.6m in 2016-17. Data Migration Suspense Accounts: A review of the council's debtors listing within Agresso identified a number of account balances transferred from the council's previous general ledger (Oracle System) to current general ledger (Agresso System). Management have written off these balances to the CIES. Current Year £ 5.7m Historic Debtors: Our review of the debtors listing identified a number of historic debtor balances with counter balances that require write-off or to be matched to the credit balance/bank receipts. Management have written off these balances to the CIES Bad Debt Provision: The council's bad debt provision was understated by £4.8m due to an understatement in the business rates appeals balance. Housing Benefit Provision:- The council's bad debt provision for Housing Benefit was disclosed in Note 18 net of the outstanding debt from Housing Benefit customers. This should have been disclosed gross, with the bad dent provision for housing benefit forming part of the allowance for Doubtful debts. Prior Year £2.5m Draft Accounts £2.5m 	48,482	18,425
	18,808	<p>Short Term Investments - there were no amendments to the council's short term investments in the current year and in the prior period audited accounts.</p>		48,545
9,900	9,900	<p>Cash</p> <ul style="list-style-type: none"> The end of March 2019 cash balance was misstated by £416k and this has been amended by management. We identified a number of issues relating to council's cash/bank reconciliation process (Refer to Page X) and we have raised a recommendation in respect of this weakness identified. 	21,077	19,879

C. Balance Sheet Continued

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts	Final Restated Prior Year	Description of issue identified	2018-19 Draft Accounts	2018-19 Final Audited Accounts
152,760	152,760	Borrowing <ul style="list-style-type: none"> There were no changes to the borrowing balance disclosed at year end and in the prior year audited accounts. 	214,682	214,682
34,619	56,622	Short Term Creditors <ul style="list-style-type: none"> Thames Valley University - the original draft accounts omitted both short term (£8m) and long term creditor (£8m) in the 2017/18 financial statements as the purchased asset (£24m), was acquired on credit, with a third of the price being paid in 2017/18 and the remainder over a two year period. Data Migration Suspense Accounts: A review of the council's creditors listing within Agresso identified a number of account balances transferred from the council's previous general ledger (Oracle System) to current general ledger (Agresso System). Management have written off these balances to the CIES. Historic Creditors: Testing of creditors identified a number of historic debtor balances with counter balances that require write-off or matched to the debit balance/bank payments. Management have written off these balances to the CIES. Creditors Notes disclosure – the mapping and classification of the types of debtors and creditors categories for the council (disclosed in the final accounts) has been compiled using two different method between the comparator years which means the disclosure is not comparable. 	50,489	58,850
2,447	2,447	Short-term Provisions: <ul style="list-style-type: none"> There were no significant changes to the short term provisions balance disclosed at year end and in the prior year audited accounts. 	4,266	2,165
2,100	2,100	Grant Receipt In Advance: <ul style="list-style-type: none"> There were no changes to the Grants Receipt In Advance balance disclosed at year end and in the prior year audited accounts. 	0	0
393	21,636	Long Term Creditors <ul style="list-style-type: none"> Thames Valley University – Restated for an £8m amount was a previously omitted of the council's long term creditors for 2017/18. Section 106 Agreements - Restated for 17/18 due to inappropriate accounting of section 106 income originally accounted for as capital grants unapplied rather than recognising them income when S106 conditions have been met and any unmet/unspent monies receipt should have been classified as a Long Term Creditor. The impact of the adjustment is an increase is Long Term Creditors 17/18 of £13.3m (corresponding decrease in Grants Unapplied) and current year 2018/19 in £9.4m 	498	6,060

C. Balance Sheet Continued

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts 000'	Final Restated Prior Year 000'	Description of issue identified	2018-19 Draft Accounts 000'	2018-19 Final Audited Accounts 000'
223	223	<p>Long Term Provisions</p> <ul style="list-style-type: none"> Business Rates - the council's provision for appeals in respect to Business Rates appeals was understated by £4.6m for the 2018/19 period based on refunds being period in subsequent periods. Water Charges - An additional provision has been included in the council's accounts for the Thames Water Charged to Housing Revenue Account tenants. The council anticipate paying £2.6m in future periods. This amendment only impacts 2018/19 and is not a prior period. 	223	9,372
0	4,157	<p>Long Term Deferred Capital Receipts</p> <ul style="list-style-type: none"> Income from overage agreements had been incorrectly classified as revenue income when it should have been classed as deferred capital receipts pending receipt of the cash payments. The impact was to overstate income credited to the General Fund by £2.2m and to the HRA by £2.6m in 2016/17. In addition, a further £1.4m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct. 	0	4,157
170,341	170,341	<p>Long Term Borrowing - there were no changes to the council's long term borrowing balance in the prior year and the current year.</p>	304,216	304,216
307,430	311,969	<p>Other Long-Term Liabilities</p> <ul style="list-style-type: none"> Net Pension Liabilities: The 2018/19 balances has been amended as a result of the McCloud judgement and the impact of updated investment asset valuations of the Pension Fund. This has resulted in a net impact to the defined pension liability of £2.8m 	326,894	312,684
404,309	307,501	<p>Usable Reserves & Unusable Reserves</p> <ul style="list-style-type: none"> Prior Period Adjustments and Current Year Misstatements- Due to the several adjustments made to the prior year financial statements and current year amendments, the usable and unusual reserve balances have had to be amended. Minimum Revenue Provision:- In addition to these adjustments, for a number of years, the council has materially understated its Minimum Revenue Provision. The new Finance Team have recalculated their best estimate of the council's MRP as at 31st of March 2019, March 2018 and March 2017 and the respective charge for each year is (2017: £21.6m, 2018, £5.1m and 2019, £6m) Capitalisation Direction:- The Government approved a capitalisation direction in principle allowing the council to use capital resources to finance revenue costs, thereby reducing pressure on General Fund balances and budgets. Application of the Direction is as follows: £36m in 2017, £50m in 2018 and £65m in 2019. 	405,199	231,383
Usable 108,141	Usable 97,027		Usable 83,144	Usable - 75,675
Unusable 296,168	Unusable 210,474		Unusable 322,055	Unusable 155,708

C. CIES Changes

The following table highlights the changes made to current year balances from the initial draft accounts to the final draft accounts.

Prior Year Audited Accounts 000'	Final Restated Prior Year 000'	Description of issue identified	2018-19 Draft Accounts 000'	2018-19 Final Audited Accounts 000'
436,770	429,755	Expenditure	411,005	462,709
		<p><u>Employee Benefits:</u></p> <ul style="list-style-type: none"> - Additional revised IAS 19 Pension Adjustment for the year 2018/19 – DR £2.6m <p><u>Service Expenditure</u></p> <ul style="list-style-type: none"> - Dwellings review undertaken by management, whereby assets were incorrectly disposed off- CR £1.5m. - JEH soft loan adjustment of DR £9.3m - Water rates refund £2.6m - Agresso costs incorrectly capitalised Prior year £1.4m Current Year £1.1m - Housing Benefits Overpayments BDP Increase- £2.5m <p><u>Depreciation.</u></p> <ul style="list-style-type: none"> - Due to the misstatements identified within property plant and equipment, has resulted in an adjustment to the current year and prior year. The net impact of the adjustments to the: Prior Year £4.5m and Current Year £3m <p><u>Interest Payments</u></p> <ul style="list-style-type: none"> - Adjustment relates to the updated IAS 19 Pension Liability. Prior Year £1.9m. - Reverse capitalisation of borrowing costs £1.9m <p><u>Gain and Loss on Disposal</u></p> <ul style="list-style-type: none"> - Amended due Arbour Vale and Beechwood disposal –Previous Year £4.3m Current Year £6.5m - Leisure Centre Tower Ash et al £32.1m 		
370,492	354,317	Income	353,959	325,071
		<p><u>Interest and investment income:</u></p> <ul style="list-style-type: none"> - Thames Valley University – Fair value reversal due to previously misstated TVU acquired on credit arrangement in 2017/18as an investment property and revalued. Previous year £8.5m Current year £9.1m <p><u>Government Grants and Contributions:</u></p> <ul style="list-style-type: none"> - Reversal of S106 income credited incorrectly. Previous Year £1.4mn Current year £2.3m - Increase bad debt & appeals provisions Current year £8.2mn - Update Unapplied Grant Re Debtor £3.1m 		

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The below details all non-trivial misstatements adjusted by management to the original draft accounts presented for audit in July 2019.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Grossing up of the opening cost and depreciation of assets with nil net book value (Council Dwellings). This has nil impact on the value in the Balance Sheet and is made in the disclosure note for Plant, Property and Equipment. This error impacts prior years and management have had to reverse this entry.		DR Opening Balance: £6.9m CR Opening Acc Depreciation: (£6.9m)	
Internal Recharges: A review of property plant and equipment identified that the council previously incorrectly capitalised a notional recharge within the Place directorate, therefore increasing the value of property plant and equipment on the balance sheet and inappropriately recognising the recharge within income on the comprehensive income and expenditure statement. This adjustments impacted the general fund and has also resulted in a prior period adjustment and this entry has been reversed The impact of the misstatement on prior years is: CR – PPE : £6m (reversal of notional charge to property projects) DR – CIES £6m (reversal of notional revenue recognised in CIES)	DR Revenue (reversal of £1.8m	: CR – Property Plant and Equipment: £7.8m DR – General Fund £6m (Prior Period)	DR - £1.8m
A review of capital additions within the year identified staff costs that had been incorrectly capitalised relating to the implementation of the council's general ledger (Agresso). These costs now need to be reversed from Property Plant and Equipment to revenue expenditure. This practice has been happening for a number of years and has resulted in prior period adjustment – CR – PPE – £4.2m (reversal of Agresso charges to property) DR – CIES - £4.2m (recognition of Agresso Costs to Expenditure(£3.1m in PPA and £1.1m in 2018/19)	DR - £1.1m Expenditure	CR - £4.2m Property Plant and Equipment DR – Reserves General Fund £3.1m	DR £1.1m
Asset additions and disposals were adjusted following review of the fixed asset register. This also resulted in amendments to the depreciation and revaluation movements following the adjustment to asset holdings. This error impacts prior period and current year. Correction of prior period misstatement to opening balances is CR - £9.5m – correction to the net book value of property plant and equipment. DR - £9.5m – recognition of the disposals to the capital adjustment account.		Cr £9.5m – Property Plant and Equipment DR £9.5 Capital Adjustment Account	
A review of the fixed asset register by management identified a number of assets classified as surplus assets that should have been reclassified as Assets Held for Sale. The total value of the assets reclassified is £1.2m. This misstatement also impact property plant and equipment prior period and has been corrected through a prior period adjustment. DR - £1.2m decrease in property plant and equipment. © 2023 Grant Thornton UK LLP. CR - £1.2m increase in assets held for sale		Dr £1.2m – Property Plant and Equipment Cr £1.2m– Capital Adjustment Account	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
<p>Infrastructure Assets: A review by management of the council's fixed asset register identified that the carrying value of infrastructure assets had been overstated for a number of years due to the accumulated depreciation not being written out when assets had nil net book value. In addition, a review of infrastructure spending identified that all expenditure on infrastructure had been classed as single asset each year and depreciated over a standard asset life of 40 years, when the various components of infrastructure have asset lives ranging from 10 to 40 years.</p> <p>Recalculating depreciation of the revised asset lives has resulted in a reduction in the net book value of the assets of £38.343m at 1 April 2017 and an increase in depreciation charges of £3.196m in 2017/18 and £3.340m in 2018/19. Therefore, the correction to the prior periods was</p> <p>CR - PPE - Infrastructure Assets £41.5m</p> <p>DR Capital Adjustment Account - £41.5m</p>		<p>CR £44.8m - Property Plant and Equipment</p> <p>DR £44.8m to Capital Adjustment Account</p>	
<p>Revaluation Adjustment for Dwellings that were incorrectly accounted for as disposed following review of the council's Fixed Asset Register.</p>	<p>CR - Expenditure - Reversal of disposal £1.5m</p>	<p>DR - Additions £1.5m</p>	
<p>Private Finance Initiative: - A review of the council's fixed asset register and PFI arrangements identified that two schools, Beechwood and Arbourvale's had Land that had not been derecognised appropriately by the council on their fixed asset register in the year of transfer. The impact of these adjustments is to adjust the opening balance for 2018/19 and impact prior periods, therefore will require a prior period adjustment. tbc</p>	<p>DR Expenditure £6.5m</p>	<p>CR Property Plant and Equipment £6.5m</p>	
<p>Leisure Centre Farnham Road misstatement - this asset became operational on 23rd March 2019 and was transferred from Asset under Construction to Land and Buildings and revalued buildings and land was asset transferred to Surplus and revalued. The adjustment requires a reclassification of the asset within the Property Plant and Equipment note and adjustment to the CIES for the impact of revaluations</p>	<p>DR Expenditure - revaluation £1.3m</p>	<p>CR - Property Plant and equipment £1.3m</p>	
<p>Tower and Ashbourne House -The Council planned to demolish the two tower blocks and rebuild the site, increasing the number of dwellings from 105 to 195. The units were classified as surplus, as they were no longer held as dwellings. one value has been assigned to the site. An adjustment was done post audit to reflect this</p>	<p>Dr - movement in revaluations £3.3m CR revaluations (cost of services) - £13.6m</p>	<p>Cr PPE - £13.3m Dr- Revaluation Reserve £3.3m</p>	
<p>Salt Hil Centre - following council's revaluation exercise, we identified that the centre had been understated by £3.3m. Management have agreed to amend the accounts for this error.</p>	<p>DR Expenditure - 3.3m</p>	<p>CR - PPE - £3.3m</p>	
<p>Arbour Sports Park - When reviewing the reconciliation of the valuers report to the accounts prepared by management, we identified that Arbour Sports Park had been double counted in the Council's accounts, as was included under both Arbour Park Spots Facility and The Centre.</p>	<p>DR - Expenditure £18.7m</p>	<p>CR Property Plant and Equipment -18.7m</p>	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Depreciation, Amortisation, Impairment – due to mapping issues and inconsistencies within the depreciation charged to the CIES and the property plant and equipment notes resulted depreciation being incorrectly mapped to income.	DR – Expenditure (Depreciation) £15.8m CR – Income £15.9m		
Investment Property Valuation: A review of Investment Property identified two assets with balances of £2.4m and £0.5m that were included in investment property, however these assets were revalued and included as property plant and equipment with a different asset codes. These asset were not de-recognised within investment properties causing an overstated reported balance of Investment property.		CR Property Plant and Equipment £2.9m DR Capital Adjustment Account (via GF) £2.9m	
In addition, an investment property which was revalued with a value of £3.5m as at 31st March 2019, was incorrectly stated as £2m. This resulted in an understatement of £1.5m within investment property.		DR Investment Property £1.5m CR Revaluation Reserve £1.5m	
Capitalisation Accounting: an asset that had been included in as an addition in the current prior year on the basis of the staged payments being made for the purchase whereas it should have been recognised in full in the prior year with a corresponding creditor. These adjustments impact the current year and prior year. In addition, the initial capitalisation was incorrect therefore required correction. This asset was incorrectly classified as investment property but should have been accounted for as an asset under construction.	CR - Financing & Investment Income I&E £9.1m	DR – Investment property £9.1m DR – Long term Creditor £8m CR – Short Term Creditor £8m	
Therefore, in the prior year, the asset was corrected from Investment Property to Property Plant and Equipment. As mentioned, the asset was also incorrectly recognised on acquisition with the council only recognising a third of the asset value. The net impact of the adjustment in the prior year Prior Year Correction.		DR- Property Plant and Equipment (Assets Under Construction) - £27.3m CR – Investment Property £27.3m	
Reclassification. CR £9.8m - Investment Property (reclassification of original entry) CR £17.5m – LT & ST Creditors (recognition of the staged payment) DR £27.3m - Property Plant and Equipment (Correct entry to the AUC in Property Plant and Equipment)			
Revaluation Adjustment Account CR £27.3m Assets Under Construction. DR - £8.5m correction of revaluation IP CR - £8.5m Capital Adjustment Account			

D. Audit Adjustments

Audit Adjustments Continued:

Long Terms Investments

James Elliman Homes Ltd:

The loan to JEH was accounted for as fair value equity investments when they were soft loans. The impact of the loans advanced to JEH were not reflected in the council's debtor position in 2017/18, however disclosed in 2018/19 as a long term investment Adjustment was required to the valuation which impacts the SOFP and valuation movements in the CIES

DR Long term debtors - £9.4m

CR Long term investments - £9.7m

CR Movement on valuation and interest -

**Comprehensive Income and
Expenditure
Statement £'000**

**Balance Sheet
£' 000**

**Impact on total net
expenditure £'000**

DR - Long term
investments £9.7m

CR - Long Term
Debtors £9.7m

(2019- £4.5m &

2018- £5.2m)

Non-National Domestic Rates: A review of the reconciliation between the council's general ledger and the feeder system that form part of the debtor balances identified that debits raised in 2014/15 regarding Business Rates (NNDR) had not been appropriately written off in the following year as the debits should have been transferred to the collection fund adjustment account. A correction was made in 2015/16 but did not get reflected within the year end balance brought forward balances resulting in an overstatement. This adjustment impacts the current year debtors and prior year periods. This misstatements impacts prior periods as the £6.3m overstatement was carried forward on the council's balance sheet each subsequent accounting period.

DR - General Fund
£6.3m

CR - Debtors -
£6.3m

Slough Urban Renewal Accrual: Our testing of debtors balance for year identified that the council had overstated its accruals relating to its interest in Slough Urban Renewal (SUR) which it had a 50% interest in. This resulted in an overstatement of income in 2018 and 2019 of £3.3m and £4.3m respectively. The debtors balance for both years was overstated by £4.3m in 2018 and £7.6m in 2019 (of which was the rolled forward £4.4m from 2018) respectively. The correction to the prior period is the following adjustment:

DR Income £3.3m

Cr Debtors
Total £7.6m

DR £3.3m

Dr General Fund
£4.3m

CR Short Term Debtors - £4.3m

DR CIES- £4.3m

Bad Debt Provision: The new finance team identified that the council had not reviewed its bad debt provision and therefore, the council engaged a valuation expert to review the council's collection fund (both council tax and business rate) bad debt provisions and identified this had been understated by £4.1m

DR - Expenditure
£4.1m

CR - Short Term
Debtors
£4.1m

The impact of the review has resulted in amendments to the council's collection fund adjustment account which was also understated by £4.1m

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
<p>Essex County Council Debt: In 2017/18 the council inappropriately raised a debtor (£0.8m) with Essex County Council (for a contract both parties had engaged in) rather than recognising a contingent asset as this was under high court litigation. A further debtor of £0.4m was subsequently raised in 2018/19 for the same contract. The case was finally settled in 2020/21 and the council was awarded £0.3m, therefore this provides evidence that short term debtors and income was overstated by £0.8m</p>	<p>DR CIES: £0.8m</p>	<p>CR Short Debtors £0.8m</p>	<p>Dr 0.8m</p>
<p>Data Migration Suspense Accounts: A number of historic debtors suspense codes that were part of the migration from Oracle (previous ledger) to Agresso were included within debtors, the net value of these balances is £5.8m. The new finance team propose to review and write these off</p>	<p>DR Expenditure (write-off) £5.8m</p>	<p>CR – Short Term Debtors £5.8m</p>	<p>£5.8m</p>
<p>Historic Balances: Our review and testing of debtors identified a number of balances within the council's general ledger that had no movement between opening balance and closing balance. Our detailed testing of debtors also identified balances with counterparties that are historic in nature that management will need to review. Within our debtors review, we also identified some credit entries that require investigation from management as to whether these require reclassification to creditors or be matched to subsequent receipt of income or should be written off</p>			
<p>Overage Income :- A review of overage agreements within debtors had been inappropriately accounted for as revenue income when it should have been classified as deferred capital receipts pending the receipt of the cash receipts. The impact was to overstate income credited to the General Fund by £2.2m and to the HRA by £2.7m in 2016/17. In addition a further £1.43m was incorrectly treated as General Fund income in 2017/18 and has been transferred to usable capital receipts to correct.</p> <p>For 2016-17</p> <p>DR- General Fund £2.2m DR – HRA £2.7m CR- Deferred Capital receipts £4.2m CR- Long term Debtors 0.7m</p> <p>For 2017-18</p> <p>DR- Long term Debtors £1.16m CR- general Fund £1.16m DR- General Fund £1.43m CR- Capital Receipts Reserve £1.43m</p>		<p>For 2016-17</p> <p>DR- General Fund £2.2m DR – HRA £2.7m CR- Deferred Capital receipts £4.2m CR- Long term Debtors 0.7m</p> <p>For 2017-18</p> <p>DR- Long term Debtors £1.16m CR- general Fund £1.16m DR- General Fund £1.43m CR- Capital Receipts Reserve £1.43m</p>	
<p>Bad Debt Provision – Housing Benefit</p> <p>The council's bad debt provision for the year ended 2018/19 was misstated by £2.5m resulting in an understatement in the expenditure charged to the council's comprehensive income and expenditure</p>	<p>DR – Expenditure £2.5m</p>	<p>CR- Housing benefit Receivable £2.5m</p>	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
The adjustment relates to an applied grant that was incorrectly classified as a debtor rather than recognise the transaction as an expenditure within the CIES.	DR Expenditure £3.1m	CR Short Debtors £3.1m	
A misstatement was identified regarding a collection fund debtor that was incorrectly posted twice to the debtor balance, therefore overstating both income and debtors. Management have agreed to reverse this entry.	DR Income £1.5m	CR Short Term £1.5m	
Review of debtors and creditors balances in 2018/19 identified grossing up within the financial statements. This means both debtors and creditors are overstated by the same amount of £19.2m. This misstatement impacts the prior year balances		DR Debtors – £19.2m CR Creditors £19.2m	
<p>Minimum Revenue Provision</p> <p>The council for a number of years had understated its minimum revenue provision charge which is required under statute for the cost of borrowing to the General Fund. The impact of this adjustments, the usable reserve was understated by £64.4m and the unusual reserves was overstated by £32.8m. The prior year periods have also been adjusted and funded through the capitalisation direction</p> <p>Year 2017 – MRP Charge £21.6m</p> <p>Year 2018 – MRP Charge £6.3m</p>		DR – Capital Adjustment Accounts £32.8m CR- General Fund £32.8m	

D. Audit Adjustments

Audit Adjustments Continued:

	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
<p>Historic Balances: Following review of the Council's creditor balance at year end, management have reviewed historic (old balances) in the general ledger and have agreed to write these off to the I&E.</p> <p>Data Migration Suspense Accounts – management have also undertaken a review of creditor balances within the council's general ledger</p>	CR General Fund £0.9m	DR Creditors £0.9m	
<p>Section 106 Agreements – Review of s106 agreements by the new finance team identified that income that all s106 agreements had been inappropriately recognised as income and credited to capital grants unapplied. As s.106 income has conditions attached to the funding, it should have been classified as a long-term creditor and only recognised as income when the conditions attached to the individual s.106 agreements had been met in line with the CIPFA Code. This error impacts prior periods. To correct £11.9m has been transferred from Capital Grants Unapplied to Long-Term Creditors at 1 April 2017, a further net transfer of £1.43m was made to Long-term Creditors in 2017/18 and net deployment of £3.904m from Long-term Creditors made in 2018/19.</p>		CR Long Term Creditors £9.3m Dr Reserves - Capital Grants Unapplied £9.3m	
<p>Provisions: A review by the council's management of Business Rates appeals (against the 2010 valuation listing) provision for 2018/19 was understated by £4.2m based on additional refunds being made the following year. The impact of the review has resulted in amendments to the council's collection fund adjustment account which was also understated by £4.1m</p>	DR – Expenditure £4.2m	CR - Long Term Provisions £4.2m	
<p>Thames Water Charges – The council has included an additional provision for the impact of the Southwark water charges legal ruling in 2016, which resulted in council tenants being over-charged for water charges.</p>	DR – Expenditure £2.6m	CR Provision £2.6m	DR £2.6m
<p>Pension Reserve – Long Term Liability</p> <p>The Pension Liability for the council for 2018/19 has been amended to reflect the updated IAS19 Report from Barnet Waddingham for updated data for the performance of the pension funds assets as at 31st March 2019 and to incorporate the impact of McCloud judgement (£14.3m).</p> <p>The updated IAS 19 Report also impacts the remeasurement pension liability (£16.8m) presented on the face of the CIES including the Cost of Service(Dr £2.6m).</p> <p>Management have also amended the prior year comparator for Pension Liability and Pension Reserves by £4.5m to reflect an misstatement in the prior year accounts.</p>	DR net impact – £14.2m	DR Long Term Liability £14.2m CR Pension Reserve £14.2m DR – Pension Reserve £4.5m CR Pension Liability £4.5m	

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Income	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Housing Revenue Account – The HRA line within the Comprehensive Income and expenditure Statement has decreased by £9.5m to correct a mapping issue. The corresponding entry is now in Other operating expenditure.	CR – Housing Revenue Account - £9.5m DR Other operating expenditure- £9.5m		
HRA Major Repairs Reserve – the Major Repairs Reserves for HRA has been decreased by £4.2m following review by the new finance team.		CR General Fund - £4.2m DR – Capital Adjustment Account £4.2m	
Capitalised Borrowing Costs – The new finance team have reversed the capitalisation of borrowing costs £1.8m which had been included in the 2018/19. The previous 2018/19 included a change in accounting policy for borrowing costs and this did not meet the requirements of IAS8	DR Financing and Investment I&E - £1.9m	CR Property Plant and Equipment £1.9m	
Transformation Costs: A review of the council's expenditure charged in the current year and in previous years by the new management team identified, the council for a number of years had charged on-going revenue costs as REFCUS, relating to the Council and the Slough Children First. Management have concluded the on-going costs treated as REFCUS did not meet the requirements of the Guidance on Flexible Use of Capital Receipts 2015, therefore, the impact of this misstatement is that income is the general fund is understated and capital receipts reserve. Management have reversed this entry. This misstatement impacts the current period and prior periods		DR – General Fund £15m (reversal of prior period statutory override in the GF) CR – Capital Receipts £15m	
Capitalisation Direction: As a result of the scale of the financial challenges facing Slough Borough Council and a number prior period issues identified during the 18/19 audit. The Council has utilised £35.9m of the capitalisation direction in 2018/19 and in the previous audited periods.		DR Capital Adjustment Account £35.9m CR General Fund £35.9m	

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

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

Item	Disclosure omission	Adjusted?
Annual Governance Statement & Narrative Report	The Annual Governance Statement & Narrative Report for 2018/19 has been updated to reflect the financial and governance issues identified at the council.	✓
Note 1 – Accounting Policies	The council’s accounting policies Note 1.4 to 1.20 have been substantially amended in the latest draft accounts by the new management team.	✓
Note 3 Assumptions made about the future and other sources of estimation uncertainty	The note 3 has been amended from the draft accounts including the values and balances. The estimation and uncertainty note 3 includes estimates we do not consider to have a significant risk of material adjustment within the next 12 months (IAS 1) and these include: Valuation of Council Dwellings, Impairments Allowance for doubtful debts, Provisions.	x
Note 5: Material Items of Income and Expense	Management have further enhanced the note disclosure by including a table highlighting the impact of the capitalisation direction	✓
Note 6, Note 7 and Note 8	Management have enhanced Note 6 Other Operating Expenditure, Note 7 Financing and Investment Expenditure, Note 8 Taxation and Non Specific Grant Income.	
Note 9, 9a and 9b, 9c Expenditure and Funding Analysis	The presentation of the note disclosure has been amended, including the prior year balances due to the errors identified in the previous year. There has been a number of amendments to the current year balances due to several misstatements identified during the audit.	✓
Note 12 – Audit Fees	The 2018/19 Audit Fee table has been amended to reflect the additional fees for the overruns on the 18/19 financial statement audit.	✓
Note 14 – Grant Income	The Grant Income Note disclosure has been amended by the new management team for the current year and prior year balances to clearly show: Non-ringfenced government grants; Grants credited to taxation and non-specific grants: Government Grants credited to Net Cost of Services; Total Grants	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

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

Item	Disclosure omission	Adjusted?
Note 15: Adjustments between accounting basis and funding basis under regulation. Note 16 Transfers and Earmarked Reserves	This note shows the adjustments between the comprehensive income and expenditure recognised in line with accounting standards/policies and the specific statutory provisions available to the authority for override. Due to the number of prior period adjustments and the misstatements identified in the current year of audit, and the prior year this year has been amended. The note disclosure also discloses the impact o the capitalisation direction available to the council. The overall impact of the adjustments will have an impact on the council's usable and unusable reserves on the balance sheet and the movement in reserves statement.	✓
Note 17 Property, Plant and Equipment	There have been a number of adjustments to the property, plant and equipment note with the following being amended from the original draft: As result of the prior period adjustments identified regarding the previous years, the prior year comparators have been restated to reflect the corrections.	✓
Note 18 Capital Commitments	The note disclosure does not comply with the code, as this incorrectly discloses the council's approved budget major capital projects as opposed to actual contractual commitments.	x
Note 19 Investment Properties	The note has been amended to reflect the misstatement for Thames Valley University (£27m) which has been reclassified from investment properties to property plant and equipment. As result of the adjustment, this has impacted the revaluation reserve and the prior year audited accounts resulting in restatement. The investment property income table has been amended for 2018/19 to include the investment income: tbc	✓
Note 21: Service Concession Arrangements	Impact of land not previously derecognised when the two schools were transferred from the council.	✓
Note 22: - Capital Financing Requirement	The Capital Financing Requirement disclosure has been updated to incorporate adjustments to the council's property plant and equipment note, investment property note, capitalisation direction, and adjustments for the council's sources of finance.	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

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

Item	Disclosure omission	Adjusted?
Note 23 Financial Instruments	<p>The opening balances has been restated for the following:</p> <ul style="list-style-type: none"> the equity in and loans to James Elliman Homes Ltd have been excluded from the financial instrument disclosures. the loan notes to SUR LLP have been excluded from the financial instrument disclosures. the balance of long-term debtors was restated as part of the Prior Period Adjustment in relation to overage. <p>Further amendments: tbc</p>	✓
Note 25 Fair value of assets and liabilities	A result of the misstatements identified within debtors, creditors, cash loans and investment properties, the fair value of assets and liabilities note 25 has been amended (i.e. the carrying value and the fair value hierarchy)	✓
Note 26 Cash & Cash Equivalent	The cash and cash equivalent balance for 2018/19 has been amended from £21.1m in the draft accounts to £19.8m in the final accounts following audit.	✓
Note 27 Short-Term Debtors & Long Term Debtors	<p>The Short Term Debtors and Long Term Debtors notes has been enhanced</p> <ul style="list-style-type: none"> To clearly show the different types (central Government Bodies, Trade Debtors, VAT, Council Tax, NNDR, Housing Benefit, Other, Loans to 3rd Parties, Overage) of debtors with the council including distinction between long term and short term debtors Disclose the council's impairment allowance for doubtful debtors as at 31st March. <p>The year-end 2018/19 balance has also been amended to reflect the audit adjustments identified in this Appendix resulting in draft short term debtors changing from £48.5m in the draft to £18.5m in the final accounts. The comparators have also been restated from £32.9m in the prior year audited accounts to £36.9m</p> <p>Long Term Debtors:</p> <ul style="list-style-type: none"> There has been an amendment to the council's long term debtors to include loans to JEH and understatement of overage income resulting in a total adjustment to the LT debtors from £9.4m in the draft accounts to £31.2m in the final accounts <p>The method in which the final set of debtors has been compiled is different to the prior year comparator as management have not been able to obtain the workings from the previous year.</p>	✓
Note 28 Creditor	<p>The creditors note has been amended and has been enhanced.</p> <ul style="list-style-type: none"> To clearly show the different types (Trade Creditors, PAYE & NI, Central Government, Other Creditors, PFI Finance Lease Liabilities, Receipt in Advance, Payroll Creditors, Collection Fund Accounts) of debtors with the council including distinction between long term and short term debtors. Creditors – the prior year has been restated to include the TVU purchased on credit arrangements (£8m) and the amended 18/19 accounts also includes the this adjustment (£8m). Suspense Account & Historic Balance Review: Following review of the council's general ledger, historic balances and data migration suspense accounts, the following balances have been written off and the net impact is : £0.8m <p>The method in which the final set of creditors has been compiled is different to the prior year comparator as management have not been able to obtain the workings from the previous year.</p>	✓

D. Audit Adjustments

Continued

Misclassification and disclosure changes

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

Item	Disclosure omission	Adjusted?
Note 29 – Provisions	Long Term Provisions has been amended to include an additional provision relating to Business Rate Appeals (£4.2m) and Water Charges (£2.6m)	✓
Note 30 Unusable Reserves (30a,b,c,d,e,h,i)	As result of the prior period misstatements and subsequent adjustments to correct the misstatements, the prior year balances have been restated. The prior year misstatements and the current year misstatements identified have resulted in changes to the draft figures presented for audit.	✓
Note 31 & 32 Defined Benefit Pension Schemes.	The Council has adjusted the net pension benefit liability for the year 2018/19 for the impact of the following: <ul style="list-style-type: none"> • McCloud judgment impact adjustment. • Updated Pension Fund Asset performance as at 31st of March 2019. 	✓
Note 33, 34,35 Cash Flow Statement Notes	The draft accounts presented for audit had a number of material adjustments in the current and prior year, which has subsequently resulted in a number of amendments to the accounting entries in the cashflow statement and related notes.	✓
Note 36 Related Party Transaction	The updated accounts has enhanced the disclosure for related party transactions from the first draft accounts. This disclosure now includes a table of entities controlled by Slough Borough Council or the Council has significant influence over.	✓
Note 38 Events after the balance sheet date	Management have enhanced the disclosure for events after the reporting date to include the issues identified in the external audit review, Section 114 and the Capitalisation Direction, Covid-19, McCloud and updated IAS 19 valuation.	✓
Note 39 Prior Period Adjustment	The new management team has included a table setting out the impact of the misstatements identified that impact the previous audited accounts.	✓
Housing Revenue Account (including related Notes)	The Housing Revenue Account for 2017/18 has been restated and the for 2018/19 for the following items <ul style="list-style-type: none"> - Adjustment for misstatement of depreciation for 2018/19 – increased by £4.2m from the draft accounts - Thames Water Charges for 2018/19 - increase of £2.6m from the draft accounts. - The HRA Income and Expenditure Statement has been restated for 2017/18 to reflect the decreased value of assets disposed of in the year. This increased the loss on disposal reported in the HRA Income and Expenditure Statement by £5.133m. - A number of notes to the HRA have been updated from the first draft. 	✓
Collection Fund Statement (including related notes)	The collection fund statement for 2018/19 has been amended for the following items <ul style="list-style-type: none"> Increase in allowance for impairment of doubtful debts £5.7m increase (both Business Rates and Council Tax) Allowance for appeals £4.5m (Business Rates) 	✓
Group Accounts - © 2023 Grant Thornton UK LLP	The group accounts disclosure has been updated to consolidate Slough Urban Renewal.	✓

E. Audit fees

In 2018, PSAA awarded a contract of audit for Slough Borough Council to begin with effect from 2018/19. Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fees to date for 2018/19 is set out below. Given the extended period of audit work required for the Council's financial statements, additional fee variations have been sought through PSAA to reflect the additional time input. The latest position is set out below, along with the status of approval from PSAA.

The extensive challenges encountered during the three-year period since the 2018-19 audit commenced has highlighted a significant lack of effectiveness and corporate grip on the Council's finances and systems of internal control. The new finance team have invested considerable amounts of their own time updating the accounts to the best of their ability and also considerable audit time has been spent with them to exhaust all avenues in seeking to obtain sufficient appropriate audit evidence to conclude our work. The disclaimer opinion on the 2018-19 accounts highlights the unprecedented nature of the weaknesses apparent in the Council's financial statements and the level of audit inputs required to date.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Estimated fees 2018/19

Council Audit - Scale fee	£98,193
Interim variation 1 - period to Sept 2020 – PSAA Approved	£223,002
Interim variation 2 – period of work Oct 2020 – June 2022 – Awaiting PSAA approval	£125,000
Interim variation 3 – period of work June 2022 – December 2022 – Awaiting PSAA approval	£249,000
Total proposed audit fees to December 2022	£695,195



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