

Date of issue: Thursday, 10 March 2016

<b>MEETING</b>	<b>AUDIT AND CORPORATE GOVERNANCE COMMITTEE</b> (Councillors Chohan (Chair), Matloob (Vice-Chair), Ajaib, Amarpreet Dhaliwal, Mansoor, Nazir and Sandhu)  <b>CO-OPTED INDEPENDENT MEMBERS:</b> Graham Davies, Ajay Kwatra, Ronald Roberts and Alan Sunderland.  <b>PARISH COUNCIL MEMBERS:</b> Councillor S Bryant (Colnbrook with Poyle) Councillor J Muhammad (Wexham Court) Vacancy (Britwell)  <b>INDEPENDENT PERSON</b> Dr Louis Lee
<b>DATE AND TIME:</b>	THURSDAY, 10TH MARCH, 2016 AT 6.30 PM
<b>VENUE:</b>	VENUS SUITE 2, ST MARTINS PLACE, 51 BATH ROAD, SLOUGH, BERKSHIRE, SL1 3UF
<b>DEMOCRATIC SERVICES OFFICER:</b> (for all enquiries)	SHABANA KAUSER  01753 787503

### SUPPLEMENTARY PAPERS

The following Papers have been added to the agenda for the above meeting:-

\* Item 5 (a) was not available for publication with the rest of the agenda and is an urgent item which the Chair has agreed to include on the agenda.

#### PART 1

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
5	(a) Audit of the Government Accounts Data Collection Tool - Year Ended 31 March 2015	1 - 4	All

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Councillor Chohan  
Chairman of the Audit and Corporate Governance Committee  
Slough Borough Council

18 December 2015

Dear Councillor Chohan and Members of the Audit and Corporate Governance Committee

## **Audit of the Whole of Government Accounts Data Collection Tool for the year ended 31 March 2015**

### **Background**

We are required to perform tests with regard to the Whole of Government Accounts (WGA) Data Collection Tool (DCT) prepared by the Council for use by the Department of Communities and Local Government (DCLG) for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

When we circulated our final Audit Completion Report to you on 29 September 2015, we highlighted that our audit of the Council's Decision Support Tool (DCT) had not yet commenced as we had not yet received a revised return from officers. We reported that there was a risk that we would not meet the Government's deadline of 2 October 2015 for submission of the audited return and that the achievement of that deadline would depend on the quality of the return, its timely receipt and the appropriateness of supporting working papers.

The Council submitted its draft DCT to DCLG on 14 August 2015. DCLG identified some missing cash flow data and a few anomalies in its preliminary review of the DCT and requested that the Council provide a revised DCT. A revised DCT was submitted on 19 August 2015.

The revised draft DCT was subsequently amended to take account of audit adjustments to the financial statements and a revised version was submitted to us for audit on 2 October 2015, which was later than the agreed date of 21 September 2015.

We have now completed our audit of the revised draft DCT and the final audited DCT was submitted to DCLG on 27 November 2015. The assurance statement provided was qualified on the grounds of the completeness of the CPID (counter-party identifier i.e. intra-WGA group) data in the DCT.

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## **Audit findings**

### ***Consistency with financial statements***

Our comparison of the draft DCT to the financial statements and underlying accounts identified a significant number of inconsistencies, 120 of which were individually above £1 million and a further 80 that were cumulatively in excess of £1 million.

These differences were all corrected in the final DCT and we were able to conclude that the final DCT is consistent with the audited statutory financial statements, although we reported the following issues in our Assurance statement to the National Audit Office:

- (a) Total income in the CIES net cost of services worksheet in the consolidation pack (£256,849k) does not map directly to the financial statements (£252,886k). As a result, net cost of services in the consolidation pack (£89,749k) does not map directly to the financial statements (£93,713k). This is because two grants (the New Homes Bonus grant and the Education services grant) are included in different places in the consolidation pack, and there is a £1k rounding difference. In the financial statements these grants are included in taxation and non-specific grant income. However, in the consolidation pack they are included within net cost of services.
- (b) In the IAS 19 Pensions liability worksheet, the Council has included unfunded liabilities in respect of the teachers' pension scheme with the funded scheme disclosures, as the information is not separately available from the actuary and has been reported together in the financial statements.
- (c) In the Property, Plant and Equipment worksheet, the Council has included land in the buildings column, as separate information for land is not readily available and land and buildings have been reported together in the financial statements.
- (d) In the non-current assets additional information worksheet, the Council has omitted 'funding provided in year' for each of the types of school assets as this information is not readily available and has not been included in the financial statements.
- (e) In the current asset worksheet, the Council was unable to provide a working paper to support the analysis of movements in the provision for bad debts (additional provisions made during the year and amounts used during the year), although we are satisfied that the net movement is not materially incorrect.

Due to the significant number of adjustments over £1 million that were made to the DCT as a result of the audit, we have raised a recommendation in Appendix 1 for management to review and improve its processes and controls for preparing the consolidation pack.

### ***Completeness of intra-group transactions***

The systems operated by the Council do not retain information relating to specific counterparties and so it is not possible to automatically analyse and extract transactions and balances by individual counter-party.

The CPID balances reported in the DCT are not consistent with the accounting records from which the audited statutory financial statements are produced in that the CPID balances that have been analysed and reported in the DCT are notably less, and in two cases materially less, than the category totals reported in the statutory financial statements. Comparison of the CPID worksheet in the DCT to the financial statements and underlying accounts indicates that there are unanalysed balances totalling £7.723 million for creditors, £1.836 million for debtors and £6.829 million for current grants from central government in the DCT.

We were therefore unable to conclude that CPIDs disclosed in the DCT are complete, and we have raised a recommendation in Appendix 1 for management to review and improve its processes and controls for identifying counter party transactions, particularly in respect of revenue grants received and debtor and creditor balances.

#### ***Supporting working papers***

The Council did not initially provide working papers to support the DCT submitted for audit, in particular the income and expenditure worksheets which are presented in a different format to the statutory financial statements. We had agreed that the working papers would be provided with the draft DCT, by 21 September 2015. These were provided during our audit of the DCT. We have raised a recommendation in Appendix 1 for management to ensure that appropriate working papers are provided to support the DCT that is submitted for audit.

#### ***Delays in submission of the final DCT***

As a result of the above issues, we were not able to achieve DCLG's timetable for submission of the final DCT by 2 October 2015. Addressing the recommendations raised in Appendix 1 should help to ensure that the timetable is achieved going forward.

#### **Overall conclusion**

The arrangements currently in place do not support the timely compilation of an accurate and compliant DCT nor of accurate and complete working papers to support the entries made. Given the impending acceleration of accounts timetables, it is critical that the Council addresses with urgency the recommendations contained in this report that will address these shortcomings, and monitors these through the Audit and Corporate Governance Committee.

Yours sincerely

David Eagles  
Partner  
for and on behalf of BDO LLP

**copy**  
J Holmes, Assistant Director of Finance and Audit  
B Stratfull, Corporate Financial Controller

## APPENDIX I: RECOMMENDATIONS

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Our comparison of the draft DCT to the financial statements and underlying accounts identified a significant number of inconsistencies, 120 of which were individually above £1 million and a further 80 that were cumulatively in excess of £1 million.</p>	<p>Management should review and improve the Council's processes and controls for preparing the consolidation pack.</p>			
<p>The systems operated by the Council do not retain information relating to specific counterparties and so it is not possible to automatically analyse and extract transactions and balances by individual counter-party. As a result, the CPID (i.e. intra-WGA group) balances in the DCT were not completely analysed.</p>	<p>Management should review and improve the Council's processes and controls for identifying counter party transactions, particularly in respect of revenue grants received and debtor and creditor balances.</p>			
<p>The Council did not initially provide working papers to support the DCT submitted for audit, in particular the income and expenditure worksheets which are presented in a different format to the statutory financial statements.</p>	<p>Management should ensure that appropriate working papers are provided to support the DCT that is submitted for audit.</p> <p>We will work with the finance team to agree the scope and format of required working papers in advance of the DCT audit.</p>			