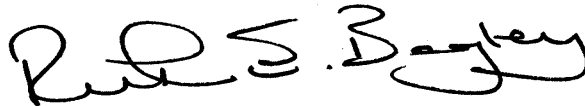


Date of issue: 8<sup>th</sup> October, 2010

<b>MEETING</b>	<b>AUDIT COMMITTEE</b> (Mr A Kwatra (Chair), Councillors Chohan, Dhillon, Haines, Small and Walsh)
<b>DATE AND TIME:</b>	TUESDAY, 19TH OCTOBER, 2010 AT 6.30 PM
<b>VENUE:</b>	COMMITTEE ROOM 1, TOWN HALL, BATH ROAD, SLOUGH
<b>DEMOCRATIC SERVICES OFFICER:</b> (for all enquiries)	SHABANA KAUSER 01753 875013

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



**RUTH BAGLEY**  
Chief Executive

AGENDA

PART 1

AGENDA  
ITEM

REPORT TITLE

PAGE

WARD

Apologies for absence.

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
1.	Election of Vice-Chair		
2.	Declarations of Interest		
3.	Minutes of the last meeting held on 17th June, 2010	1 - 4	
4.	Terms of Reference of the Audit Committee	5 - 8	
5.	Internal Audit Progress Report - October 2010	9 - 26	
6.	External Audit Progress Report - October 2010	27 - 34	
7.	Annual Governance Statement	35 - 68	
8.	Members Attendance Record	69 - 70	
9.	Date of the next meeting - Thursday 11th November, 2010	-	

Press and Public

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Special facilities may be made available for disabled or non-English speaking persons. Please contact the Democratic Services Officer shown above for further details.

**Audit Committee – Meeting held on Thursday, 17th June, 2010.**

**Present:-** Mr Kwatra, Councillors Dhillon and Small

**Apologies for Absence:-** Councillors Chohan, Haines and Walsh

**PART I**

**1. Election of Chair**

**Resolved** – That Mr A Kwatra be elected Chair of the Committee for the ensuing year.

(Mr Kwatra in the Chair)

**2. Election of Vice-Chair**

No Vice-Chair was appointed.

**3. Declarations of Interest**

None.

**4. Minutes of the last meeting held on 4th March 2010**

The Minutes of the meeting held on 4<sup>th</sup> March 2010 were agreed as a correct record and signed by the Chair.

**5. Order of Business**

The Chair advised that he intended to vary the order of business of the agenda with the consent of the members of the Committee to enable Mr Philip Sharman and Mr Alistair Rankine of the Audit Commission to speak on their reports.

**6. Audit Progress Report 2009/10**

Mr Sharman introduced the Audit Progress Report dated June 2010. The report summarised the main outputs from the 2009/10 Audit together with indicative dates for the production of final audit reports. The progress report related only to the Code of Practice Audit and excluded CAA related activity. The report would be updated on a quarterly basis and used to track progress on the Audit at quarterly meetings with senior management and would be presented as a standing item to each meeting of the Audit Committee. With regard to the final audit reports with indicative dates before September 2010 Members were advised as follows:

- The Annual Opinion for 2009/10 had been reported to the Audit Committee in March 2010.

## **Audit Committee - 17.06.10**

- The Exit Strategy for shared services would be reported in the future.
- The Pre-Statements audit memorandum was on the agenda for the meeting that evening.

The remainder of the reports would be submitted to the Committee in due course.

With regard to the use of resources Mr Sharman advised that the new coalition government had announced that the CAA would be discontinued. The Audit Commission would be producing a Value for Money conclusion rather than scoring against Use of Resources and this would be reported in due course.

In addition to the progress report Members had been provided with a copy of the Audit Commission's National Studies Programme detailing national reports that had been published. It was proposed to update this on a rolling basis at each Audit Committee and provide members with the opportunity to raise any questions or issues on an area that might be of particular interest to the Council.

In answers to questions Mr Sharman advised that talks were currently in hand with regard to alternative performance management arrangements following the abolition of the CAA.

**Resolved** – That the Audit Progress Report – June 2010 - be noted.

### **7. Pre-Statement Audit Memorandum 2009/2010**

The Committee had been provided with the Pre-Statement Audit Memorandum of the Council's material financial systems. The work reported had been undertaken by the Audit Commission between February and April 2010 and comprised a review of the Council's material financial systems and the operation of key controls. There were a number of headline messages to report which included:

- The outcome of the Pre-Statement Audit had been in line with expectation.
- Officer action had been taken to deal with underlying cultural problems.
- A number of areas had been identified where further work was required.
- A concern had been raised regarding the housing rent system suspense accounts and an IT Assurance Auditor would be brought in to ensure accuracy and completeness in this area. There would be an update at the next meeting.

The Director of Resources advised that much attention had been given to operational aspects of People 1<sup>st</sup>. Members were aware that the functions undertaken by People 1<sup>st</sup> were being incorporated back into the Council's functions. The Director stressed that the concerns that had been raised were

## **Audit Committee - 17.06.10**

with regard to the control systems and not the actual transactions that had been undertaken.

**Resolved** – That the report be noted.

### **8. Terms of Reference of the Audit Committee**

The Committee noted the Terms of Reference of the Committee and need for them to be reviewed to ensure independence and objectivity of Internal Audit. It was also noted that the Committee was responsible for **monitoring** risk management for the authority and the preparation of the Annual Governance Statement (AGS). It was agreed that the Terms of Reference would be reviewed for report back to the Committee at its September meeting.

**Resolved** – That the Terms of Reference of the Committee be reviewed for report back to the September meeting of the Committee.

### **9. Head of Internal Audit Opinion 2009/2010**

The representative of the Interim Head of Audit and Risk Management introduced the report and advised Members of the reporting requirements as set out in the CIPFA Code of Practice for Internal Audit in Local Government.

From the Internal Audit work undertaken in 2009/10 it was the opinion of the Head of Audit and Risk Management that the Authority could provide reasonable assurance that the systems of internal control that had been in place at Slough Borough Council for year ended 31<sup>st</sup> March 2010 accorded with proper practice.

The report set out a number of areas where improvements could be made and detailed recommendations where an audit had found limited and no assurance.

In discussing the report Members of the Committee agreed a number of recommendations:-

- In future the report should highlight any areas where recommendations had not been implemented.
- Directors should be asked to attend the Audit Committee to discuss any audit recommendations relating to their service areas.
- The Director of Education and Children's Services should be invited to attend the meeting in September to discuss schools issues including local policy issues, schools balances and the National Regulatory Framework.
- A report on the FMC Assessment progress should be presented to the September meeting.
- The Risk Management reports for the Council's three main Capital Projects – Heart of Slough, Chalvey and Britwell should be reported to a future meeting.

## **Audit Committee - 17.06.10**

The Director of Resources advised that action had been taken to realign some support services which would show significant improvements in accountability and responsibility.

The Director of Resources tabled a draft copy of the Annual Governance Statement (AGS) and advised that the issues for the Audit Committee were those highlighted as 'Significant Government issues' These included partnerships, transfer of People 1<sup>st</sup>, business continuity and the national reductions in public sector spending. The Director advised that the AGS formed part of the Statement of Accounts that would be submitted to the Council on the 29<sup>th</sup> June 2010. It was proposed that two members of the Audit Committee meet with the Director of Resources and Monitoring Officer to go through the Annual Governance Statement in detail prior to it being submitted to the Council meeting. This approach was agreed and it was agreed that Councillors Small and Dhillon would represent the Audit Committee at this meeting.

**Resolved** – That the Committee be kept informed about the –

- Reconciliation and reintegration of Finance Services.
- The three risks highlighted from the report i.e. partnerships, business continuity and the transfer of People 1<sup>st</sup>.
- Education and schools issues.
- The Authority's ability to cope with the national reductions in public sector spending whilst maintaining a high standard of public service.

### **10. Internal Audit 4th Quarter Update**

Noted.

### **11. Date of the next meeting**

Monday, 13<sup>th</sup> September, 2010.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.30 pm)

**ARTICLE 10 - AUDIT COMMITTEE**

- 1 The Council will appoint an Audit Committee.

Statement of Purpose

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

Terms of Reference

- 2 Within the Terms of Reference of the Committee it will be -
- a. the member forum for external auditors matters, [formal approval of the auditors' statement of accounts will remain a full council responsibility.]
  - b. the member forum for internal audit matters,
  - c. a key element of the internal control framework for the Council and monitor completion of the ~~take responsibility for the~~ Annual Governance Statement ,
  - d. be the member forum for risk management matters,
  - e. be the member forum for corporate governance matters.

General Role/Membership

- 3 The Committee is advisory and therefore not subject to the provisions of the Local Government Access to Information Act 1985.
- 4 The Committee will comprise seven people (5 Councillors on a proportional basis), with co-opted members from outside the Council with suitable experience. The quorum for the Committee is two elected members and one co-opted member.
- 2 That Panel will meet four or more times per year.
- 3 In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Advisory Committee limited to a maximum of 2 members. The chair shall be a co-opted member of the Committee.

Specific Functions

- 7 The Committee's specific functions shall include but not be limited to -
- (a) External Audit

- To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
- To consider the external auditors' annual letter and ensure that appropriate action is taken in relation to the issues raised
- To consider and comment on any plans of the external auditors
- To comment on the scope and depth of the external audit work and to ensure it gives value for money
- To consider any other reports by the external auditors
- To liaise with the Audit Commission over the appointment of the Council's external auditor
- To identify areas of potential work that may be appropriate for the external auditors

(b) Internal Audit.

- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
- To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
- To consider and approve the Internal Audit Strategy
- To consider and approve an annual programme of audit work, ensuring that there is sufficient and appropriate coverage
- To consider reports from internal audit on agreed recommendations not implemented in accordance within the agreed timescale
- To identify areas of potential work that may be appropriate for internal audit
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To identify areas of potential work that may be appropriate for internal audit
- To consider any other reports the Chief Internal Auditor may make to the Panel.

(c) Internal Control

- ~~To monitor manage~~ the production of the Council's Annual Governance Statement
- To recommend the adoption of the Annual Governance Statement to the Council
- To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement



(d) Risk Management

- Consider the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- Seek assurances that action is being taken on risk related issues
- Ensure that assurance statements, including the Annual Governance Statement, properly reflect the risk environment
- To approve and regular monitor the implementation of the Manage the production of the overall Risk Management strategy

(e) Governance

- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
- To consider the Council's compliance with its own and other published standards and controls
- To review any issues of governance referred to the Committee by stakeholders
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy  
[The whistle-blowing policy remains within the responsibility of the Standards Committee. The Committee has a right of comment on changes to this policy]

(h) Other

- To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
- To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes is enhanced and actively promoted
- To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance

4 The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Director of Resources for Cabinet.

5 The terms of reference shall be reviewed annually.

Dated: October 2010

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**Slough Borough Council**  
**Internal Audit Progress Report**  
**2010/2011**  
***October 2010***

**Report by:** Interim Head of Audit and Risk Management  
**Contact:** Elizabeth Harrison- Interim Head of Audit & Risk Management  
**Tel:** 01753 875374  
**E-Mail:** [liz.harrison@slough.gov.uk](mailto:liz.harrison@slough.gov.uk)

Internal Audit Progress Report 2010/11- October 2010

## Summary

This quarterly progress report has been prepared for the Members of the Audit Committee at Slough Borough Council.

This summary consists of a narrative in which the Interim Head of Audit and Risk Management updates the Audit Committee on any changes in the audit plan and also highlights other areas that she feels the Audit Committee should be aware of.

In addition to the narrative key matters are attached in the following statements:

**Section 1:** General Update and Summary of Key Activity

**Section 2:** Key Performance Indicators

**Section 3:** Summary of Audit Reports Issued

**Section 4:** Recommendations not Implemented

**Section 5:** Audit Reports experiencing Delay in Implementation

**Section 6:** Position on contingency audits/irregularity reviews

**Appendix One: The Revised Internal Audit Plan 2010/11**

## **Section One- General Update & Summary of Key Activity**

### **Summary of Key Internal Audit Activity**

This report has been prepared to update the Members of the Audit Committee on progress to date against delivery of the approved 2010/11 Internal Audit Plan.

The key points to note are as follows:

- The approved 2010/11 Internal Audit plan contained 1252 auditable days across the organisation (plus 155 contingency days);
- Since the last Audit Committee, 37 days have been added to the plan and a total of 54 days have been deleted from the plan, resulting in a revised total of 1235 auditable days plus 172 contingency days resulting in a total plan of 1407 days.

The amendments that have been made to the plan have been included within the Revised Plan in Appendix One.

As outlined within this report, general delivery against the 2010/11 Internal Audit Plan has exceeded the target set and we are on target to complete the work required by 31<sup>st</sup> March 2011. Overall, customer feedback has been positive and the performance statistic of 100% agreement of Officers to all recommendations raised demonstrates a high level of compliance with Internal Audit activity. Further details of performance indicators are included within Section Two.

### **Counter Fraud arrangements & the Anti-Fraud Plan**

Internal Audit has taken a number of steps to ensure that counter fraud arrangements in Slough Borough Council are effective. These include both proactive and reactive anti fraud arrangements. Work undertaken within 2010/11 to date has included substantial input into the National Fraud Initiative (NFI); the outcome of the most recent exercise will be reported to the next Audit Committee. In addition, Internal Audit continues to maintain an active input into any investigations arising; details of these are included within Section Six.

The general Internal Audit work carried out, alongside the work carried out by the Housing Benefit Fraud Unit, contributes to the anti-fraud arrangements in the organisation. These activities have been identified and brought together in one document to enable further clarity in respect of the anti fraud work being carried out and has been previously presented to the Audit Committee.

## **Risk Management Update, including Review of the Internal Audit Plan 2010/11**

Through delivery of the Internal Audit Plan within the first and second quarters of the year, a number of amendments have been required to be made to the Plan. These have been identified through various routes, including Director requests and changes in service delivery arrangements. As a result of this, and under the ongoing commitment to secure value for money, an exercise has been undertaken to confirm that our current Internal Audit plan delivers value for money and remains suitable for our needs.

The exercise undertaken, as detailed below, and discussions with other Authorities have allowed us to compare best practice guidance and new areas arising for Audit input. Through this exercise, it became apparent that, the size of our plan exceeds that of other Authorities. Whilst our plan has always been focussed on risk, there is a need for further productivity to be obtained from the team which could result in delivery of the service with fewer resources; whilst still obtaining the required level of assurance. The focus of this exercise has been on risk and ensuring that the level of audit input into an area is relative to the risks arising. As such, alongside this exercise, a significant amount of time has been spent updating the Council's risk management system for input onto (JCAD), the Councils risk management system.

Through this exercise, the following approach has been adopted:

- 1) Review of the current Audit Plan to identify where audits have not yet commenced and to identify in these areas if there has been any change in risk/ service delivery to allow audit days to be reduced/ removed;
- 2) Identification of arising risks, coverage within the current plan and updating the plan for additional auditable areas;
- 3) Update the plan with additional or reduced audits; and
- 4) Update corresponding risk registers.

As a result, amendments have been made to the current year Internal Audit plan to ensure that it now suits our needs and to secure value for money in delivery. This has resulted in a reduction of 332 days against the plan approved at the beginning of the financial year; this results in a plan of 1,075 days (including 100 days in contingency) against an approved plan of 1407 days.

This exercise is also underway for the Strategic Plan to identify future year amendments. It is anticipated that further reductions in days can be driven from the strategic plan as audit work has not commenced in any areas as is the case for the 2010/11 plan; due to the timing of review of the current year plan, a number of audits had commenced and could, therefore, not be amended. This process is currently underway and the risk registers will also be updated in due course.

Appendix One provides a revised Internal Audit plan to be considered for Audit Committee approval.

**Table One- Comparison of Original Allocation and Use of Resources – to 30 September 2010**

	<b>ANNUAL AUDIT PLAN ALLOCATION – ORIGINAL (Days)</b>	<b>ANNUAL AUDIT PLAN ALLOCATION – LATEST (Days)</b>	<b>ACTUAL USED TO END OF QUARTER 2 (Days)</b>
<b>PLANNED AUDITS</b>			
Fundamental (Core) Systems Audits	333	333	4
Non-Core Systems Audits	808	791	348
IT Audit	111	111	36
<b>TOTAL PLANNED AUDITS:</b>	<b>1252</b>	<b>1235</b>	<b>388</b>
<b>OTHER AUDIT WORK</b>			
Old Year Audits	-	-	34
Follow Ups			11
Contingency Audits	155	172	
Investigations			17
<b>TOTAL OTHER AUDIT WORK</b>	<b>0</b>	<b>0</b>	<b>62</b>
<b>TOTAL AUDIT DAYS</b>	<b>1407</b>	<b>1407</b>	<b>450</b>
<b>OTHER CHARGEABLE</b>			
Chargeable Management	384	384	144
<b>TOTAL CHARGEABLE DAYS</b>	<b>1791</b>	<b>1791</b>	<b>594</b>
<b>AUDIT MANAGEMENT &amp; ADMIN</b>			
Non Chargeable Management	76	76	8
Management Information/Admin	122	122	112
<b>TOTAL MANAGEMENT &amp; ADMIN</b>	<b>582</b>	<b>582</b>	<b>120</b>
<b>LEAVE &amp; TRAINING</b>			
Statutory Leave	80	80	21
Annual Leave	306	306	114
Special Leave	20	20	4
Sick Absence	80	80	210
Professional Training	125	125	8
<b>TOTAL LEAVE &amp; TRAINING</b>	<b>611</b>	<b>611</b>	<b>357</b>
<b>TOTAL STAFF DAYS</b>	<b>2600</b>	<b>2600</b>	<b>1071</b>

## **Section Two- Key Performance Indicators for the Period Ended 30<sup>th</sup> September 2010**

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators. Progress continues to be positive with the majority of key performance indicators achieving, or exceeding, the original target.

<b>No.</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Quarter One &amp; Two 2010/2011</b>	<b>2010/11 Year to Date</b>
1	The overall percentage of recommendations agreed	100%	100%	100%
2	Percentage of recommendations agreed implemented	100%	92%*	92%
3	Proportion of planned audit work completed by 31 <sup>st</sup> March 2011	95%	23%*	23%
4	Average customer satisfaction score (measured by survey)  (4=Good, 3=Satisfactory, 2=Poor, 1=Unsatisfactory)	3.0	3.5	3.5

\* NB: Twelve recommendations have been followed up to date; only one recommendation remains outstanding; this recommendation is detailed in Section Four- Recommendations not Implemented.

\*The year to date target is 95%; current progress indicates that the target will be achieved by 31<sup>st</sup> March 2011.



### **Section Three- Summary of Audit Reports Issued**

The table below provides a summary of the Internal Audit reports issued in 2010/11 to date (NB: Where the reports are in draft format, the assurance opinion will be confirmed at the next Audit Committee):

<b>Quarter One Reports Issued:</b>	<b>Audit Days</b>	<b>Assurance</b>	<b>Status</b>
Mayoralty & Civic Expenses including Car	10	TBC	Draft
Customer Service Centre	10	Full	Final
Governor Services	6	TBC	Draft
Safeguarding Arrangements	15	TBC	Draft
Supported Living Procedures	8	Satisfactory	Final
Speedwell Enterprises	10	Satisfactory	Final
Wexham Nursery	10	TBC	Draft
Emergency Planning	10	Limited	Final
PFS Cash & Bank Reconciliation	10	TBC	Draft
Due Diligence (PFS)	5	N/a	Draft
Flare & Operating System	16	TBC	Draft
Capita Housing	10	N/a	Draft
Remote & Third Party Access	10	TBC	Draft
Gas Safety Audit	7	TBC	Draft
Absence Management	10	Satisfactory	Final
Behaviour Support Team	7	TBC	Draft
Youth Offending Team	15	Satisfactory	Final
Lettings Management	10	TBC	Draft
Occupational Therapy Team	10	TBC	Draft
Priors Day Service	10	Satisfactory	Final
Slough Community Mental Health	10	Satisfactory	Final
Stroke Care Grant	5	Satisfactory	Final
Supported Living (Additional Audit)	5	Satisfactory	Final
Development Control	10	TBC	Draft
Community Safety	10	Satisfactory	Final
Highways	15	Full	Final
Appointeeship (Power of Attorney)	10	Limited	Final

Internal Audit Progress Report 2010/11- October 2010

The total number of assurance opinions issued are as follows, for final reports only:

	2010/11 Assurance Opinions Year to Date
<b>Full Assurance</b>	2
<b>Satisfactory Assurance</b>	9
<b>Limited Assurance</b>	2
<b>No Assurance</b>	0

Further details of the **Limited** assurance opinions are as follows:

Audit	Report Status	Total Number of Recommendations	Areas of Significant Control Weakness	Other Comments
Emergency Planning	Final	Six	<ul style="list-style-type: none"> <li>Reliability and Integrity of Records</li> <li>Testing and Post-Exercise Programme</li> <li>Business Continuity</li> </ul>	Management have accepted and agreed to the recommendations raised.
Appointeeship (Power of Attorney)	Final	Four	<ul style="list-style-type: none"> <li>Guidance, Procedures and lack of succession planning</li> <li>Control and management of funds</li> </ul>	Management have accepted and agreed to the recommendations raised.

## **Section Four- Recommendations Not Implemented**

In 2010/11, twelve medium and significant risk recommendations were followed up; of these recommendations, one remains outstanding. The following table outlines the outstanding recommendations:

<b>Audit</b>	<b>Year</b>	<b>Outstanding Recommendations</b>
Langley Library	2009-10	➤ 1 medium risk recommendation relating to evidence of dual control on the daily cash sheets.

As agreed by members, where recommendations or actions have not implemented recommendations the responsible Officers may be given an opportunity to explain why at the following Audit Committee.

## **Section Five- Audit Reports experiencing Delay in Completion**

### **Outstanding Follow ups**

<b>Audit Title</b>	<b>Department name</b>	<b>Final report issued</b>	<b>Follow-up Due</b>	<b>Notes</b>
Members Allowances	Resources	30 December 09	30 June 10	Follow Up delayed due to completion of additional work at the Creative Academy- due for completion October 2010
Overtime Payments	Resources	30 December 09	30 June 10	Follow Up delayed due to completion of additional work at the Creative Academy- due for completion October 2010

Note: Follow up of recommendations is carried out with every audit and/or after 6 months.

### **Outstanding Drafts**

<b>Audit title</b>	<b>Department name</b>	<b>Draft sent</b>	<b>Contact name</b>
N/A	N/A	N/A	N/A

There are no draft reports for which we are awaiting a response outside of the agreed timescales.

## **Section Six- Position on Contingency Audits and Irregularity Reviews up to 30<sup>th</sup> September 2010**

The below highlights where further action has been taken since previous Audit Committee reporting:

### **Amendment of BACS Details within Customer Services**

In September 2010, Internal Audit were alerted to a suspicion that BACS details for Housing Benefits recipients were being fraudulently amended by a member of the Customer Services Team to divert money to their own account; this matter was promptly identified through the management checks that are undertaken prior to actual BACS amendments being processed and the Investigations Team were notified accordingly.

Further investigations have been completed and the member of staff was arrested and has been bailed by the Police pending further investigation. This matter is being actively pursued by both the Police and the Investigations Team and a further update will be brought to the next Audit Committee. In order to prevent future occurrences, Internal Audit have undertaken a review of the current process and BACS amendment form and advised changes in evidence requirements and authorisation to attempt to control this further; it is important to note that this was an intentional act to obtain funds from the Council fraudulently; controls were in place to prevent further payments to the individual.

## Appendix One- Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>Central financial systems</b>			
Treasury	10	No amendment - key financial system audit	10
Capital Finance	10	No amendment - key financial system audit	10
VAT	10	No amendment - key financial system audit	10
Financial Planning	10	No amendment - key financial system audit	10
Budgetary Control	10	No amendment - key financial system audit	10
Creditors	15	No amendment - key financial system audit	15
	15	Days reduced due to duplication with Pay & Remuneration Audit	10
Payroll	15	No amendment - key financial system audit	15
Debtors	10	No amendment - key financial system audit	10
Cashiers	6	No amendment - key financial system audit	6
Pensions	15	No amendment - key financial system audit	15
General Ledger	10	Reduced allocation; efficiency	5
Petty cash and imprest systems	15	No amendment - key financial system audit	15
Procurement			
<b>Revenues and Benefits</b>			
NNDR	12	No amendment - key financial system audit	12
Council Tax billing & collection	10	No amendment - key financial system audit	10
<b>Benefits systems (Control &amp; systems teams)</b>			
Council Tax & Housing Benefits	10	No amendment - key financial system audit	10
Discretionary Housing Payments	10	N/A - Audit underway / Complete	10
<b>Central financial systems Total</b>	<b>193</b>		<b>183</b>
<b>Corporate Issues</b>			
Significant Projects (to be agreed with CMT)	35	None requested to date; days pro-rated	10
Workforce Planning	15	Delete and complete 2011/12	0
Partnership working (cross cutting)	15	Retain	15
Performance Management	15	Reduced allocation; efficiency	10
Service Planning	15	Defer to 2011/12 due to current savings proposals	0
Data Quality	10	Retain	10
CRC Energy Efficiency Scheme	15	Retain	15
Risk Management	10	Retain	10
Insurance	10	Delete and complete 2011/12	0
Health & Safety including Occupational Health	10	Delete and complete 2011/12	0
Grants reviews	15	Retain	15
Proactive anti-fraud work	20	Retain	20
NFI	30	Retain	30

Internal Audit Progress Report 2010/11- October 2010

## Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>Corporate Issues</b>	<b>215</b>		<b>135</b>
<b>Resources Directorate</b>			
<b>Law &amp; Corporate Governance</b>			
Annual Governance Statement	15	Reduced allocation; efficiency	5
Corporate Governance	15	Retain	15
Committee Services	10	Reduced allocation; efficiency	5
Mayoralty & Civic Expenses (Including car)	10	N/A - Audit underway / Complete	10
<b>Law &amp; Corporate Governance totals</b>	<b>50</b>		<b>35</b>
<b>Human Resources</b>			
Absence management	10	N/A - Audit underway / Complete	10
Pay and Remuneration	15	N/A - Audit underway / Complete	15
<b>Human Resources totals</b>	<b>25</b>		<b>25</b>
<b>Facilities</b>			
Corporate Landlord	10	Retain	10
Property and Asset Management	10	N/A - Audit underway / Complete	10
<b>Facilities Totals</b>	<b>20</b>		<b>20</b>
<b>Resources Directorate Totals</b>	<b>95</b>		<b>80</b>
<b>Improvement and Development</b>			
LAA/PSA	20	Retain	20
Concessionary Fares Administration	10	Reduced as outsourced function	5
Customer Services Centre – Telephones	10	N/A - Audit underway / Complete	10
<b>Improvement and Development Totals</b>	<b>40</b>		<b>35</b>

## Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>Education &amp; Children's Services</b>			
<b>Primary schools</b>			
Castleview	6	Retain current year, new approach 2011/12	6
James Elliman	6	Retain current year, new approach 2011/12	6
Marish Primary	6	Remove as completed 2009/10	0
Our Lady of Peace Infant	6	Retain current year, new approach 2011/12	6
Ryvvers	6	Retain current year, new approach 2011/12	6
St Anthonys	6	Retain current year, new approach 2011/12	6
Saint Ethlbert	6	Retain current year, new approach 2011/12	6
Saint Marys CE	6	Retain current year, new approach 2011/12	6
Western house	6	Retain current year, new approach 2011/12	6
Wexham Court	6	Retain current year, new approach 2011/12	6
Penn Wood	6	Retain current year, new approach 2011/12	6
FMiS certification of schools audited in 2006-07	20	Retain	20
<b>Secondary Schools</b>			
Baylis Court Secondary	10	Retain	10
Beechwood	10	Retain	10
Herschel	10	Retain	10
Langley Grammar	10	Retain	10
Langley Academy (Previously Langley Wood)	10	Deleted due to Academy status	0
The Westgate	10	Retain	10
<b>Special Schools</b>			
Arbour Vale	6	Remove as completed 2009/10	0
<b>Nursery Schools</b>			
Slough Early Years	6	Remove as completed recently	0
<b>Other</b>			
Nursery Grant & Payments	10	Remove as completed recently	0
Redundancy/teachers pensions	6	Reduced due to level of activity	2
Mandatory and discretionary student awards	8	Service no longer in place	0
Governor Services & Training	6	N/A - Audit underway / Complete	6
<b>Inclusion</b>			
Behaviour Support Team	7	N/A - Audit underway / Complete	7
Youth Service	10	Delete as covered under YOT	0
Breakaway	6	N/A - Audit underway / Complete	6
Youth Offending Team	15	N/A - Audit underway / Complete	15

Internal Audit Progress Report 2010/11- October 2010



## Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>Children and Families</b>			
Looked After Services	10	Deleted - new approach to auditing similar services in 2011/12	0
C W D Team	10	Delete as covered under CDR	0
C&F Fieldwork Teams	8	Merge with C&F below	2
C&F Assessment Team	10	Merge with C&F above	10
Mallards	10	N/A - Audit underway / Complete	10
Children with Disabilities Register	8	N/A - Audit underway / Complete	8
Services for children leaving care	8	Retain	8
Petty Cash (Children and Families)	6	Delete- inefficient use of resource	0
<b>Education &amp; Children's Services totals</b>	<b>296</b>		<b>204</b>
<b>Community and Well Being</b>			
Safeguarding arrangements	15	N/A - Audit underway / Complete	15
Community Services Facilities Property Management	10	Delete- due to overlap with Property Audits	0
Lettings management	10	N/A - Audit underway / Complete	10
Creative Academy	0	Additional Audit Requested- Work Underway	5
Appointeeship (Power of Attorney)	10	N/A - Audit underway / Complete	10
Nursing homes - commissioning & expenditure	10	N/A - Audit underway / Complete	10
Hanover Contract (Pines and Northampton)	10	N/A - Audit underway / Complete	10
Home Care-Community Laundry	6	Delete- Service Discontinued	0
<b>Physical Disability &amp; Sensory Impairment Team</b>			
Sensory Needs Team	6	N/A - Audit underway / Complete	6
OT Team	10	N/A - Audit underway / Complete	6
<b>Learning Disabilities</b>			
Supported Living - Procedures	8	N/A - Audit underway / Complete	8
Priors Day Services	8	N/A - Audit underway / Complete	8
<b>Mental Health Service</b>			
Slough Community Mental Health	10	N/A - Audit underway / Complete	10
<b>Other Adult Services</b>			
Speedwell Enterprises	10	N/A - Audit underway / Complete	10
<b>Service Strategy, Regulation &amp; Directors Off.</b>			
Commissioning Team & Supporting People	10	N/A - Audit underway / Complete	10
Supported Living (Additional Work)	5	Additional Work Added to Plan	5
Stroke Care Grants	5	Additional Work Added to Plan	5
Personalisation	5	N/A - Audit underway / Complete	5
<b>Community and Well Being Totals</b>	<b>138</b>		<b>133</b>

Internal Audit Progress Report 2010/11- October 2010

## Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>Green &amp; Built Environment</b>			
Trading Standards	8	Remove due to duplication with other audits	0
Wexham Nursery	15	N/A - Audit underway / Complete	15
Planning Policy & Projects	10	Delete- Completed 2009/10	0
Development Control	10	N/A - Audit underway / Complete	10
S.106 agreements	10	N/A - Audit underway / Complete	10
Transportation Planning	10	N/A - Audit underway / Complete	10
Highways - (Highways Maintenance and dev, Street works, Asset Management and Drainage, Street lighting)	15	N/A - Audit underway / Complete	15
Community Safety	10	N/A - Audit underway / Complete	10
Transportation capital programme	10	Delete- duplication with Capital Finance Audit	0
Emergency Planning	10	N/A - Audit underway / Complete	10
<b>Housing Service</b>			
Housing development/enabling	8	N/A - Audit underway / Complete	8
Enforcements - Housing Standards Enforcement	10	Delete- completed 08/09 and 09/10	0
<b>Green &amp; Built Environment totals</b>	<b>126</b>		<b>88</b>
<b>People 1st (ALMO) - internal audit contract</b>			
Gas Safety	0	Additional Audit requested by Director	5
Corporate Governance and Risk Management	10	Delete- No Longer Applicable	0
Cash/Bank Control & Interface with Council Bank Reconciliation	10	Completed under Due Diligence	10
Rents including IT issues	20	Retain- reduce days for efficiency	10
Housing Management	10	Retain	10
Creditors	10	Delete- No Longer Applicable	0
Complaints	6	Delete- N/A as incorporated into main processes	0
<b>People 1st (ALMO) totals</b>	<b>66</b>		<b>35</b>

## Revised Internal Audit Plan 2010/11

Auditable area	Audit 2010/11	Proposed Action	Revised 2010/11
<b>IT Audits</b>			
Network Infrastructure	15	N/A - Audit underway / Complete	15
Remote Access/ Third Party Access Management	0	Additional Audit as a result of completion of ANA	7
ICS Application	0	Additional Audit as a result of completion of ANA	10
Capita- Housing Management Stage One	0	Additional Audit as a result of completion of ANA- complete	4
Capita- Housing Management Stage Two	0	Additional Audit as a result of completion of ANA- complete	6
Wireless and VPN	10	Deleted as a result of ANA	0
CRIS Payroll System	0	Added as a result of ANA	8
Income Management and E-Payments	0	Additional Audit as a result of ANA	12
Change Control	0	Additional Audit as a result of ANA	10
Programme Management	8	Deleted as a result of ANA	0
IT Strategy	8	Deleted as a result of ANA	0
IAS application and operating system	16	Deleted as a result of ANA	0
IT inventory (asset tagging)	10	Deleted as a result of ANA	0
FLARE and Operating System	16	Reduced Days- Efficiency and Complete	10
<b>IT Audits total</b>	<b>83</b>		<b>82</b>
<b>Total audit days</b>	<b>1252</b>		<b>975</b>
<b>Available days</b>			
<b>Contingency/follow ups/advice - days available</b>	155	Contingency days to be reduced as not utilised to date- pro-rated	100
<b>Total Days</b>	1407	See Audit Plan Formulation Description; indicating that 337 days are currently 'spare' resource not required under the revised plan.	332
Contingency %	11		

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# Audit Progress Report

## October 2010

Slough Council  
**Audit 2009/10**

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# 2009/10 Audit Plan

- The following table summarises the main outputs from the 2009/10 audit together with indicative dates for the production of final audit reports. The progress report relates only to the Code of Practice Audit. The report will be updated on a quarterly basis and used to track progress on the audit at our quarterly meetings with senior management and will be presented as a standing item to each meeting of the Audit Committee. The progress report will inform Audit Committee members of forthcoming audit reports and when these are expected to be available for reporting to the Audit Committee.

Report	AC key contact	Council contact	Expected report	Reported to the Audit Committee	Comment
Audit fee letter and outline audit plan 2009/10	Alastair Rankine	Audit Committee	April 2009	April 2009	Agreed
<b>Financial Statements</b>					
Annual opinion plan for 2009/10	Alastair Rankine	Annal Nayyar	January 2010	March 2010	The annual opinion plan has been issued, discussed with officers and agreed.
This opinion plan sets out the audit work that we propose to undertake for the audit of financial statements for 2009/10 and provides an update on our UOR risk assessment					

<p><b>Shared services review</b></p> <p>The focus of our work will be to review the outline business case for shared service provision and the Council's option appraisal/decision making process regarding its future commitment to the venture and the evidence assembled to demonstrate that the venture offers good prospects for delivery of sustainable outcomes and value for money. Key considerations for the audit will be an assessment of whether:</p> <ul style="list-style-type: none"> <li>• the Council has a sound understanding of its costs</li> <li>• decision making is supported by relevant and reliable data and information</li> <li>• the Council manages its risks effectively</li> </ul>	Alastair Rankine	Julie Evans	Sept 2010	N/A	The report has been prepared for the attention of officers and it is not intended to issue this to the Audit Committee. Headline messages are included in the Annual Governance Report and Annual Audit Letter
<p><b>Pre-statements audit memorandum</b></p> <p>This memorandum will highlight issues arising from our review and testing of the Council's financial systems together with recommendations to address weaknesses in controls identified during the audit</p>	Alastair Rankine	Annal Nayyar	May 2010	June 2010	Complete
<p><b>Annual Governance Report (ISA260)</b></p> <p>The report sets out the key issues that you should consider before audit of the Council's accounts is completed and before the opinion and VFM conclusion is issued</p>	Phil Sharman	Council/ Audit Committee / Julie Evans	Sept 2010	October 2010	The report was considered by the Council at its meeting on the 30 September 2010. It is included on this agenda
<p><b>Accounts opinion and VFM conclusion</b></p> <p>In addition to our opinion on the accounts the Code of Audit</p>	Phil Sharman	Council/ Julie Evans	Sept 2010	September 2010	Issued on the 30 September 2010



<p>Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources. Our work is integrated appropriately with the use of resources assessments</p>	<p>Alastair Rankine</p>	<p>Annal Nayyar</p>	<p>October 2010</p>		<p>Not yet due</p>
<p><b>Final Accounts memorandum</b></p> <p>This memorandum will contain detailed issues arising from our audit of the PCT's financial statements which have not necessarily already been reported in the Annual Governance report</p>	<p>Alastair Rankine/ Kam Shargill</p>	<p>Kevin Gordon /Julie Evans</p>	<p>Sept 2010</p>	<p>N/A</p>	<p>We will not be issuing a report on Use of Resources following the Coalition Government's decision to abolish CAA.</p> <p>We have produced a separate report for the attention of officers which summarises the key VFM recommendations arising from the UOR work undertaken prior to the announcement and other</p>
<p><b>Use of Resources</b></p>					
<p><b>Use of Resources - Financial year 2009/10</b></p> <p>This is the second year of the use of resources assessment at the Council. Our work will inform our scored assessments of the following three themes:</p> <ul style="list-style-type: none"> <li>- Managing money</li> <li>- Managing the business</li> <li>- Managing other resources</li> </ul> <p>Year one has given us a strong baseline and this will be used as a starting point for the year two assessment. This means we will build on the evidence from all our 2009 work including CAA by conducting a gap analysis and considering two key questions:</p> <p>What has changed?          What outcomes/differences have resulted as a consequence?</p>	<p>Alastair Rankine/ Kam Shargill</p>	<p>Kevin Gordon /Julie Evans</p>	<p>Sept 2010</p>	<p>N/A</p>	<p>We will not be issuing a report on Use of Resources following the Coalition Government's decision to abolish CAA.</p> <p>We have produced a separate report for the attention of officers which summarises the key VFM recommendations arising from the UOR work undertaken prior to the announcement and other</p>

<p><b>Use of Resources</b> - Workforce planning</p> <p>Workforce planning is a new line of enquiry in the Use of Resources. To augment our assessment we will review how the Council along with its partners is developing an effective approach to this issue. This will be incorporated into our Use of Resources report but there may be scope to report our findings separately. We will maintain an open dialogue with officers.</p>	<p>Kam Shargill</p>	<p>Kevin Gordon/ Julie Evans</p>	<p>N/A</p>	<p>N/A</p>	<p>risk based work.  No separate report produced. Key messages included in the VFM recommendation report (see UOR above)</p>
<p><b>Use of Resources</b> - medium term financial planning</p> <p>We will review the Council's approach to closing its funding gaps during the 2010/11 budget and medium term planning cycles. This will be reported as part of our Use of Resources but may be reported earlier subject to findings.</p>	<p>Alastair Rankine</p>	<p>Julie Evans/ Annal Nayyar</p>	<p>N/A</p>	<p>N/A</p>	<p>No separate report produced. Key messages included in the VFM recommendation report (see UOR above)</p>
<p><b>Certification of grant claims</b></p> <p>This report summarises the findings from the certification of 2009/10 claims. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we either amended or qualified.</p>	<p>Alastair Rankine</p>	<p>Annal Nayyar</p>	<p>Jan 2010</p>	<p></p>	<p>Not yet due</p>
<p><b>Annual Audit Letter 2010</b></p>	<p>Phil Sharman</p>	<p>Cabinet/ Ruth Bagley</p>	<p>Nov 2010</p>	<p></p>	<p>Not yet due</p>

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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# Annual Governance Report

Slough Borough Council

Audit 2009/10

30 September 2010

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## **Status of our reports**

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Members of the Council

## **2009/10 Annual Governance Report**

I am pleased to present my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Chief Executive and the Strategic Director of Resources on the 14 September 2010.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- set out the reasons for not amending the error I have identified
- approve the letter of representation before I issue my opinion and conclusion (Appendix 3); and
- agree your response to the proposed action plan (Appendix 5).

Yours faithfully

Phil Sharman CPFA  
District Auditor

30 September 2010

# Key messages

This report summarises the findings from the 2009/10 audit which is complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results
Unqualified audit opinion proposed	Yes
Financial statements free from material error	Yes
Adequate internal control	Yes
Value for money	Result
Adequate arrangements to secure value for money	Yes

## Audit opinion

- 1 The financial statements give a true and fair view of the financial position and results of the Council and the Group for the year in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting.
- 2 I therefore propose to issue an unqualified opinion on the financial statements.

## Financial statements

- 3 The financial statements presented to audit were complete and contained non-material and presentational and disclosure errors which management have agreed to adjust. The Council has strengthened its accounts review processes in line with my recommendation last year and this has resulted in a reduced number of post-approval adjustments to your financial statements.
- 4 The professional expertise in the finance function was also strengthened during the year and there was less dependence this year on temporary contract staff. I am pleased to report that the revised arrangements worked well. We maintained a dialogue with finance staff in the period leading up to the preparation of accounts and discussed the approach to any potentially problematic items at an early stage.



## Key messages

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### Important weaknesses in internal control

- 5 I have identified some weaknesses in the design or operation of an internal control that might result in a material error in your financial statements. These weaknesses have already been reported to the Audit Committee in my pre-statement accounts memorandum but I also draw them to your attention in completing my audit. I am satisfied that there has been some progress since my earlier report and I recognise the Council's commitment to address the underlying issues as part of its finance re-structure.

### Value for money

- 6 The Council's arrangements to manage its finances and resources and govern its business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 7 I therefore propose to issue an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

### Audit completion

- 8 I do not propose to exercise any of my formal audit powers. I therefore propose to certify completion of the audit upon closure of the next steps set out in this report.

### Audit fees

- 9 The audit work summarised in this report was carried out within the fee estimate of £324,100 as notified in my letter to the Chief Executive dated the 21 April 2009. No additional fee is proposed.

### Independence

- 10 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

---

## Opinion on the financial statements

**11** My audit is complete and I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

---

## Errors in the financial statements

**12** My audit did not identify any material errors in the draft accounts presented for audit.

**13** I did identify a number of non-material errors including presentational and disclosure errors and inconsistencies between the figures in the accounts and those included in the Annual Report which officers have agreed to adjust.

## Adjusted errors

**14** The adjusted non-material errors that I would like to bring to your attention relate to:

- The write-back of an overstatement of garage income and the clearance of a suspense account balance. The combined impact of these adjustments is to reduce the surplus on the Housing Revenue Account for the year from £2.6 million to £1.9 million and to increase the deficit on the Income and Expenditure from £38.6 million to £39.3 million;
- An increase in the pension fund interest cost chargeable to the Income and Expenditure Account. The impact of this adjustment is to increase the deficit on the income and expenditure account from £39.3 million, as restated above to £40.3 million. These interest costs have been reversed out in the Statement of Movements in General Fund Balance so there is no change in the net increase in General Fund balance for the year which remains at £845,000;
- The re-statement of community assets forming part of Fixed Assets in the Balance Sheet to historic cost as required under the Council's accounting policy on the measurement of fixed assets (Note 10). The effect of this adjustment is to decrease the value of community assets from £6.3m to £2.7m and to decrease the balance on the Revaluation Reserve by an equivalent amount.

**15** Appendix 2 lists other non-material audit adjustments made since production of the draft financial statements in June 2010. Corrections of all presentational and disclosure errors are not listed in this report but details have been provided separately to officers as a check on the adjustments made. The adjustments referred to in

## Financial statements

Appendix 2 also affect the Council's Group accounts but to avoid repetition their impact on the Group accounts have not been separately listed.

### Unadjusted error

- 16** The unadjusted error that I am required to bring to your attention relates to a late adjustment to the 2009/10 accounts of Slough People First which form part of the Group Accounts appearing in the Council's financial statements which management have declined to adjust. This consists of a provision amounting to £135,000 and if it were to be reflected in the Council's accounts would impact on the reported position of the Group and would reduce the surplus on the Housing Revenue account by £135,000.
- 17** The error is deemed not material I am only required to draw it to the attention of those charged with governance. It will not impact on my audit opinion on the financial statements.

### Conclusion

- 18** I am pleased to report that the Council has strengthened its accounts review processes in line with my recommendation last year and this has resulted in improvement, including a reduction in the number of post-approval adjustments to your financial statements compared to the previous year.

---

### Important weaknesses in internal control

- 19** I have identified some weaknesses in the design or operation of an internal control that might result in a material error in your financial statements. These weaknesses have already been reported to you in my pre-statement accounts memorandum but as they may also be symptomatic of broader weaknesses in your control environment they are repeated here for completeness. My findings are set out below in Table 1.

---

**Table 1 Weaknesses in internal control**

Accounts entry/Source	Issue	Potential impact
Income collected for charges and services	There are no clear controls ensuring that debtor accounts are only raised where income is actually due to the Council.	Income that is not actually due to the Council could be included in your financial statements.  I extended my testing on journals and debtors to provide me with sufficient assurance over this matter.
Entries in your accounts generated by feeder systems	A number of reconciliations were found to be incomplete, missing, or not completed in a timely manner. These included accounts receivable, council tax, bank and accounts payable.	Limited as final year reconciliations were undertaken.  In-year financial monitoring could be compromised however if financial

Accounts entry/Source	Issue	Potential impact
		information is incomplete. To obtain the assurance I needed, I ensured that material year-end reconciliations had been completed.
Housing Rent Account rental income	<p>There was inadequate control over the transfer of rent information to the new Housing Rent system, part way through the year and reconciliations were not carried out on a timely basis.</p> <p>As a consequence we were unable to obtain the required level of assurance that rent details had been correctly transferred to the new system and that the rent debit for the year was correctly stated</p>	<p>Rent arrears recovery suspended for part of the period as individual rent account information was incorrect and in year financial monitoring compromised.</p> <p>Substantial staff resource implications to investigate discrepancies in rent information and carry out detailed reconciliations.</p> <p>I carried out a review of the post implementation procedures and in addition I extended my testing of the rent debit.</p>

Source: Pre-statements audit work conducted in 2009/10

**20** The Council has carried out a review of its financial management arrangements and has introduced improvements that will re-align responsibilities and increase accountability for the operation of system controls. I am unable to comment on the impact of this action on the overall control environment of the Council as these changes will need time to permeate but there has been progress in some areas and I am re-assured by the Council's commitment to act to address the underlying issues as part of its finance re-structure.

**Recommendation**

- R1** Maintain the momentum in improving internal control in the significant financial systems to address the areas highlighted from my review including:
- income collection systems;
  - reconciliations with general ledger feeder systems; and
  - HRA rental income systems.

### Housing Rent system

**21** A new Capita Academy housing rent system was procured by the Council and People First, an independently governed Arms Length Management Organisation (ALMO) responsible for managing the council's housing stock. Phase 1 implementation for the ALMO modules went live in July 2009 but was accompanied by numerous problems with the transfer of data from the previous system. The ALMO appointed NCC Services Limited, a third party to provide project management services and assist them in project implementation and overseeing the process.

**22** From my work, I have concluded that:

- project management of the original implementation was weak; there was no business impact assessment and failings in relation to detailed project planning, including the lack of stakeholders inclusion, the absence of key milestones, risk assessments, data migration and testing arrangements, systems process mapping, Council's staff training (where required) and separate internal audit reviews;
- from my discussions it appears that a project board was in place but failed to proactively oversee the implementation and to prevent the project from deviating from its goals;
- data extraction from the previous system and uploading into Academy was done with more than ten data cuts. User acceptance, post implementation functionality and data quality testing arrangements were not formally defined. The approach adopted resulted in erroneous migration leading to delays and the need for several reconciliations;
- adequate incident/problem management, systems maintenance and change control arrangements were not put in place during the transition;
- I was unable to confirm that amendments to critical data including tenancy details and rents were authorised and undertaken within a controlled environment or that adequate systems security and access control arrangements were maintained throughout the transition;
- system security features, audit logging etc was not formally tested although I was informed that user access profiles and appropriate user access privileges have been setup in the system;
- no formal documentation is available that reflects an assessment of the new system on the processes following implementation and mapping of system processes to the key controls and procedures implemented; and
- as such no statement of expected benefits for the first phase of implementation has been developed which would help later in the post implementation review.

- 23** My understanding is that the Academy system is now stabilised and I have been assured that reconciliations have addressed and rectified all inaccuracies in the data transferred to the new system. The ALMO ceased operations on 1st July 2010 and the housing service returned to the direct management of the Council. However, there is still no direct (fully automated) interface between Academy and the financial system (Oracle) and the introduction of the remaining phases of the planned implementation, intended to improve the functionality of the system have been delayed. In addition a recent internal audit review of the Academy system has identified weaknesses in existing controls and has made recommendations for improvement.
- 24** Similar IT projects for direct or 3rd party systems that impact on the Council’s system of internal control need to be better managed in the future. Members should seek assurances from officers that the weaknesses identified by my review and the work of Internal Audit have been addressed and plans are in place to ensure the housing rent system operates effectively.
- 25** I review your annual Governance Statement to ensure it complies with proper practice and is not inconsistent with my understanding of the Council. There was no mention of the control issues encountered as a result of the ALMO issues highlighted, within the Statement included within the draft Accounts. My recommendations to correct this have been actioned by officers and are now included.

**Recommendation**

**R2** Ensure significant system transfers and upgrades are planned and managed to secure internal control through the implementation lifecycle

**Key areas of judgement and audit risk**

- 26** In planning my audit of the financial statements I originally identified specific risks and areas of judgement set out in table 2. I have considered and updated upon these as part of my opinion audit.

**Table 2 Key areas of judgement and audit risk - opinion**

Risk area	Audit response
<p><b>Revenue outturn</b></p> <p>The Council must deliver a challenging programme of savings to achieve a balanced financial position. The narrow margins involved are sensitive to small movements in income and expenditure at the year end and I have designed audit tests to confirm that income and expenditure is recognised in the right accounting period.</p>	<p>I am satisfied from my audit testing that there has been no material misposting of income and expenditure between accounting periods.</p>

## Financial statements

Risk area	Audit response
<p><b>Controls assurance</b></p> <p>I was unable to obtain full assurance from systems work and will need to modify our approach accordingly to gain assurance in the most efficient way.</p>	<p>I confirm that I have applied the audit approach proposed in my Pre-statement audit memorandum reported to the Audit Committee in June 2010 and that this has provided me with the additional assurance required in support of my audit.</p>
<p><b>Valuation of assets</b></p> <p>There may be consequences for the Council's valuation programme or the certification of asset values at the year end due to the departure of the Council's Valuer.</p>	<p>I met with the Council's interim Valuer prior to the commencement of my audit and discussed and agreed audit requirements. I confirm that I have received all the information required in support of the Council's valuation of its fixed assets.</p>
<p><b>Rent accounting</b></p> <p>Risk of errors in reported rent figures and misstatement of rent arrears figures caused by problems with the change over of rent system.</p>	<p>I have applied audit tests as appropriate and I confirm that the rent debit for the year and the rent arrears balance is not materially misstated.</p>
<p><b>Application of the 2009 SORP</b></p> <p>PFI - may bring significant PFI funded school assets onto the Council's balance sheet. The accounting and record keeping required to achieve this will not be straightforward.</p> <p>Collection fund - billing authorities will account for NNDR and Council Tax receipts and related debtor and creditor balances as agent rather than principal.</p>	<p>I confirmed that you complied with the updated collection fund accounting requirements and have accounted correctly for your PFI assets on balance sheet as required under the SORP.</p>
<p><b>Closedown arrangements</b></p> <p>Capacity of the finance department is stretched and there is heavy reliance on contractor input to final accounts production.</p>	<p>I maintained a close liaison with key finance staff during the closedown process and I am satisfied the necessary steps were taken to ensure that capacity of the finance team was preserved during this busy period. The Council produced its draft accounts in line with its closedown programme.</p>

## Accounting practice and financial reporting

- 27** The professional expertise in the finance function was strengthened during the year. There was less dependence this year on temporary contract staff and the Council made a number of new appointments including a new interim post of Head of Corporate Finance. This new post was responsible for audit liaison and for acting as the Council's contact on all audit matters. The process was overseen by the Deputy Director of Finance.



- 28** I am pleased to report that the revised arrangements worked well. We maintained a dialogue with finance staff in the period leading up to the preparation of accounts and discussed the approach to any potentially problematic items. Technical changes arising from the implementation of the 2009 SORP (including the accounting treatment of PFI assets and liabilities) and the valuation of fixed assets were discussed in advance of the audit to ensure that the accounting principles applied by the Council were agreed and entries were properly included in the draft financial statements.
- 29** Liaison arrangements during the audit also worked well. The Council will need to ensure that standards are maintained and that capacity is sufficient to meet the additional demands associated with reporting under International Financial Reporting Standards (IFRS) for the first time in 2010/11.
- 30** There are a number of other issues in relation to accounting practice identified as part of my audit that I would like to bring to your attention.

### Fixed asset register

- 31** The reconciliation of the fixed asset register to the general ledger/ financial statements this year has proved difficult and time consuming to complete. This was partly due to a large volume of adjustments made in year but also due to limitations with the software which necessitated a large number of manual adjustments. This delayed the reconciliation of the general ledger to the fixed asset register which was not completed until 6 August 2010 after the commencement of the audit.
- 32** With the introduction of IFRS accounting in 2010/11, the number and complexity of adjustments to the register is likely increase. Problems with the software need to be resolved now to avoid the risk of more significant delays and additional cost when the Council closes its accounts next year.

### NNDR arrears

- 33** The bad debt provision set aside for NNDR arrears is £6.2 million, representing approx 50 per cent of total arrears. The breakdown of arrears shows arrears outstanding from 1994-2006 carrying a provision of 100 per cent but which have not been written off. This constitutes 40 per cent of the total provision made.
- 34** It is recommended that the Council review its old outstanding debts with a view to writing these off in the 2010/11 accounts.

### Sundry debtor arrears

- 35** Sundry debtor arrears at the 31 March 2010 total £13.3 million. Amounts outstanding for more than a year make up a relatively high proportion (17 per cent) of the value of these outstanding debts and provisions need to be established in the accounts to the extent to these arrears are deemed irrecoverable.
- 36** The Council does provide for bad and doubtful debts (some £8.2 million at the 31 March 2010) but it recognises that there is no clear guidance available to staff on how these provisions should be calculated which has led to inconsistencies within different Council departments and a varying approach to write-offs.



## Financial statements

**37** It is recommended that the Council review its write-off policy with a view to making this consistent across all Council departments.

### Monitoring of Capital Expenditure

**38** As part of its annual accounts closedown the Council identified £1.4 million of expenditure that it had wrongly treated as capital expenditure in 2008/09. The Council corrected this error by reversing the entry in the 2009/10 accounts and charging the equivalent amount to the Income and Expenditure Account. Although we are satisfied that the correct adjustment has been made to the 2009/10 accounts we observed that this was not picked up by the routine budget monitoring process.

**39** On further enquiry it transpires that capital costs even where they are treated as a revenue expense are treated as "non-controllable" and thus are not monitored as part of the Council's budgetary process which in our view constitutes a weakness in these arrangements.

**40** Officers should review existing procedures to ensure that in future the revenue consequences of all costs are monitored as part of the Council's budgetary process on an ongoing basis.

### Recommendation

**R3** Improve accounting practice and financial management by addressing the areas identified including:

- liaise with the fixed asset register provider to ensure that future adjustments can be processed on a timely basis;
- review the aged NNDR debt for recovery or write-off;
- review write-off policy to improve consistency in dealing with sundry debts; and
- ensure that all costs are monitored as part of the Council's budgetary process.

### Letter of representation

**41** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

# Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

## Value for money conclusion

- 42** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 43** The criteria for all key lines of enquiry (KLOE) specified were met.
- 44** I therefore intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

## Key areas of judgement and audit risk

- 45** In planning my audit I identified specific VFM risks that I have either considered or updated as part of my audit.

**Table 3 Key areas of audit risk - vfm conclusion**

Issue or risk	Finding
<p><b>Financial management</b></p> <p>The Council is facing significant financial pressures over the short and medium term. The Council needs to deliver budget savings to achieve a stable financial position.</p>	<p>The Council responded well to its short term financial pressures and successfully delivered its budget targets for 2009/10. Continuing financial pressures will test the Council's arrangements still further in the coming year.</p>
<p><b>Shared services</b></p> <p>The Council is considering entering into an arrangement with two other councils for the provision of shared back office services. This can offer significant economies of scale but service performance, business continuity and contractual risks will need managing.</p>	<p>The Council withdrew from the proposed shared service arrangement in February 2010 after careful consideration of the pros and cons of committing to the venture. In my view this was the correct decision as the arrangement no longer met the requirements of the Council nor promised to deliver the opportunities or benefits originally envisaged.</p> <p>However, there are aspects of the process which were not well managed and abortive costs have been incurred.</p>

## Value for money

Issue or risk	Finding
	Lessons have been learned and the Council can now incorporate these into its future plans for securing economies in its support functions.
<b>Workforce management</b> In common with other Berkshire public sector bodies, the Council faces significant challenges in addressing current and future workforce issues, putting in place effective programmes of action to attract, retain, develop and motivate a 'fit for the future' workforce.	A key challenge to the Council during the year was the implementation of job evaluation and harmonisation which it successfully completed on target. However, the Council has been slow to address workforce planning. At the date of our review work was in hand to produce a strategic plan and to develop workforce talent management.

## Assessment of arrangements

**46** The Council has performed well in delivering planned improvements in managing the use of resources during the 2009/10 year. These are summarised across three themes as follows.

### Managing finances

- The Council has extended its financial planning timescale. From 2010/11 financial planning is on a three year time horizon extending to five years from 2011/12.
- The Council is working effectively with partners to improve financial planning.
- The links between financial and service planning have been strengthened.
- Savings targets are now specific and are supported by service managers who have evaluated the implications for service delivery.
- Engagement with the community has improved and residents and local businesses are encouraged to have their say on budget proposals.
- Benchmarking information has been used to good effect and has contributed to improved outcomes in key services.
- The Council has made good progress towards identifying specific efficiency savings to be delivered in each of the next three years.
- The Council has also introduced a balanced score card. Additional data is added such as sickness levels and value for money assessments to provide a comprehensive assessment of overall performance. Increasingly this information is used to identify good and poor performance and target action accordingly.
- The Council has produced an annual report in conjunction with the production and publication of the accounts.

### Governance arrangements

- The Council has looked at different options for securing services and can demonstrate changes in the way it purchases services that have led to reduced costs and greater efficiency, for example the Council has entered into a 15-year contract with a private sector company for an 'energy from waste facility'.
- The Council has implemented new ways of delivering services, for example the redesign of library provision whereby the service will be delivered through a new strategic partnership with another provider.
- Members and officers receive fit-for-purpose information to support their decision making.
- The Council is clear about its executive, non-executive and scrutiny functions and the respective roles and responsibilities of each and the constitution, last updated in May 2009, covers all key aspects of the Council's business.
- There are productive working relationships between Members and officers and these are underpinned by an officer/ member code of conduct. The employee code has been updated with a greater focus on gifts, hospitality and also covers anti-fraud and corruption arrangements. Working relationships have improved in recent years.

### Managing resources

- The Council has an organisation-wide approach to managing assets as a corporate resource.
- The Council is actively using its assets to invest in its priority area of regeneration. The Heart of Slough project master plan has been produced to deliver significant infrastructure improvement and potential economic benefits to the area and work on this project is proceeding to plan.
- The Council has identified gaps in skills and is taking action to address these. It has introduced career grade competencies; has supported an apprenticeship scheme to enable more young people into employment; staff costs have been benchmarked and there are effective systems for managing levels of staff sickness and accidents.
- Senior management is supportive of organisational change and training programmes are in place to help line managers to deal with change management issues. A management development programme is being developed to take a more holistic approach to the development of managers.
- Council has invested substantial effort in implementing its Job Evaluation and Harmonisation programme and successfully completed this process with new contracts in place for the majority of staff by April 2010.

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### Opportunities for improvement

**47** My review has identified opportunities for improvement and my detailed recommendations are set out in a separate report to officers. I suggest the Council focus improvements in its arrangements to secure value for money in the use of resources in the following areas.

- Develop a more systematic approach to benchmarking and the use of unit cost information in identifying cost savings that can be applied Council-wide.
- Achieve further economies in procurement through the greater use of procurement performance indicators to monitor progress and assess outcomes and ensuring that opportunities to aggregate demand and reduce costs by setting up central contracts for commonly used items are fully exploited.
- Improve data quality arrangements by undertaking an assessment of systems and processes for data and performance information provided by external bodies to ensure compliance with the Council's standards for data quality.
- Ensure the Council's scrutiny processes operate efficiently and effectively in contributing to internal challenge within the Council with clear and tangible outcomes.
- Develop the role of the Audit Committee and undertake a formal assessment of its effectiveness against the CIPFA statement on the role of Audit Committees in Local Government.
- Review existing risk management arrangements and the effectiveness of the current corporate structure.
- Address weaknesses in the Council's overall control environment identified by the work of Internal Audit and my review of financial systems and introduce standards of performance can be applied consistently across all departments and can be monitored at a corporate level.
- Review the Council's severance policy and delegated arrangements to ensure that these are clear and unambiguous and are reflective of best practice.
- More effectively utilise the Council's workforce; focusing on the development of council wide workforce plan with partners so that resources can be optimised cross sectors and increasing the number of appraisals taking place so that staff are clear how their roles contribute to strategic objectives.

#### Recommendation

**R4** The Council should consider those areas for improvement identified by my use of resources review and develop plans to address the priority improvement areas.

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## Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**48** This report sets out the key issues that you should consider before I complete the audit. I therefore ask the Council to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- set out the reasons for not amending the error I have identified
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3);
- agree your response to the proposed action plan (Appendix 5).

**49** I will be pleased to present the report and discuss any matters arising at your Council meeting on 30 September 2010.

# Glossary

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## Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

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## Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
  - whether they have been prepared properly, following the relevant accounting rules; and
  - for local probation boards and trusts, on the regularity of their spending and income.
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## Qualified

The auditor has some reservations or concerns.

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## Unqualified

The auditor does not have any reservations.

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## Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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# Appendix 1 – Independent auditor’s report

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## Independent auditor’s report to Members of Slough Borough Council

### Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Slough Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Slough Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Strategic Director of Resources (Responsible Financial Officer) and auditor

The Responsible Financial Officer’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.



## Appendix 1 – Independent auditor’s report

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

### Opinion

In my opinion:

- the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Authority’s responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

**Auditor’s responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Slough Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Sharman CIPFA

District Auditor

Audit Commission

1st Floor, CEC Business Centre, Crossweys, 28-30 High Street, Guildford GU1 3HY

30 September 2010

# Appendix 2 – Amendments to the draft accounts

The following misstatements were made during my audit and the accountancy team have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

**Table 4** Errors agreed and adjusted

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
<b>Housing Revenue account</b>					
Garage rents	Adjustment to correct double posting of VAT element of garage rents	381			381
HRA Suspense account	Write off of balances on HRA suspense account carried forward in error	300			300
<b>General Fund</b>					
Pensions interest cost and expected return on pension assets	Increase in pensions interest cost and expected return on pensions assets arising from inclusion of the Council's share of the Berkshire County Council Pensions Scheme liabilities	1103	1103	1103	1103
Collection Fund Debtor	Increase in Collection Fund Debtor.  Collection fund bad debt provision incorrectly netted off against Collection Fund Debtor rather than being disclosed separately			3,863	3,863

## Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
Re-statement of community assets to historic cost	<p>Decrease in carrying value of community assets and decrease in revaluation surplus</p> <p>Community assets were re-valued during the year which is contrary to the requirements of the SORP 2009 and the Council's accounting policy</p>			3,611	3,611
<b>Cashflow statement</b>					
Various adjustments	<p>Deficit for year (£38.6m) changed to (£39.7m)</p> <p>Pension fund adjustment (£5.2m) changed to £6.3m</p> <p>Other non-cash Financial instrument adjustments (£116k) changed to (£470k)</p> <p>Fixed asset additions (£34m) changed to (£44m)</p> <p>Similar adjustments to the GROUP cashflow statement</p>	No impact		No impact	
<b>Notes to accounts</b>					
Note 40: Financial instruments	Incorrect inclusion of statutory debts in financial instrument note	No impact		No impact	
Note 15: Operational assets	Inconsistencies between brought forward balances and 2008/09 audited accounts and understatement of assets under construction.	No impact		No impact	
Note 30 Pension scheme liability	Non adjusting post balance sheet event to reflect the impact of the change from RPI to CPI in calculating future pension liabilities.	No impact		No impact	

## Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
	Estimated reduction in pension liability £8.25m				
Note 2 PFI disclosures	Various changes to the disclosure notes				
Note 9 Pooled budget	Minor changes to the split of figures	No impact		No impact	
Note 12 Officers remuneration statement	Separate disclosure of officer's expenses	No impact		No impact	
Explanatory forward	Various changes	No impact		No impact	

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# Appendix 3 – Draft letter of representation

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## **Slough Borough Council - Audit for the year ended 31 March 2010**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of Members, officers and officials of Slough Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements, in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### **Uncorrected misstatement**

I confirm that I believe that the effects of the uncorrected financial statements misstatement referred to in the Annual Governance report is not material to the financial statements. This misstatement has been discussed with those charged with governance within the Council and the reason for not correcting this item is as follows;

The value of the recommended adjustment does not impact to any material degree on the statements which in my view continue to represent a fair reflection of the Council's financial position as at 31st March 2010.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

## Appendix 3 – Draft letter of representation

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or,
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Valuation

I confirm the reasonableness of the significant valuation assumptions within the financial statements, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and,
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular, other than those already disclosed in the financial statements;

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by the Council a change has been announced regarding the future indexing of pension increases, the effect of which has been disclosed in Note 30 as a non-adjusting post balance sheet event. No additional significant events have occurred which would require additional adjustment or disclosure in the financial statements. The Council has no plans that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### Specific representations

At the date of this representation, the Council has made no decision regarding the future use of the Town Hall annex. Accordingly the carrying value of the Town Hall annex in the financial statements is fairly stated.

Signed on behalf of Slough Borough Council:

Name: Julie Evans

Position: Strategic Director of Resources

Date: 30 September 2010



# Appendix 4 – Value for money criteria

## Theme 1 - managing finances

<p>KLOE 1.1 financial planning</p> <p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p>	<p>criterion met</p>
<p>KLOE 1.2 understanding costs and achieving efficiencies</p> <p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p>	<p>criterion met</p>
<p>KLOE 1.3 financial reporting</p> <p>Is the organisation’s financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p>	<p>criterion met</p>

## Theme 2 - governing the business

<p>KLOE 2.1 commissioning and procurement</p> <p>Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?</p>	<p>criterion met</p>
<p>KLOE 2.2 data quality and use of information</p> <p>Does the organisation produce relevant and reliable data and information to support decision making and manage performance?</p>	<p>criterion met</p>
<p>KLOE 2.3 good governance</p> <p>Does the organisation promote and demonstrate the principles and values of good governance?</p>	<p>criterion met</p>
<p>KLOE 2.4 risk management and internal control</p> <p>Does the organisation manage its risks and maintain a sound system of internal control?</p>	<p>criterion met</p>

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**Theme 3 - managing resources**

KLOE 3.1 use of natural resources Is the organisation making effective use of natural resources?	not assessed in 2009/10 year
KLOE 3.2 strategic asset management Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	criterion met
KLOE 3.3 workforce planning - not applicable in 2008/09 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	criterion met

## Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<b>Annual Governance Report 2009/10</b>					
8	R1 Maintain the momentum in improving internal control in the significant financial systems to address the areas highlighted from my review including: <ul style="list-style-type: none"> <li>income collection systems;</li> <li>reconciliations with general ledger feeder systems; and</li> <li>HRA rental income systems.</li> </ul>	3	Director of Strategic Resources and Interim Head of Central Finance	Agreed	Interim Head of Central Finance will review all general ledger reconciliations on a monthly basis. Income collection systems are a key work stream within the Corporate Income and Debt Management project which will conclude in December 2010. HRA rental income systems will be managed by Central Finance. All reconciliations will be performed monthly and reviewed on a timely basis.	30 September 2010
9	R2 Ensure significant system transfers and upgrades are planned and managed to secure internal control through the implementation lifecycle.	3	Director of Strategic Resources and Deputy Director of Finance	Agreed	All future significant system transfers and upgrades direct or third Party, will be under the direction of the Director of Strategic Resources, benefit from appropriate project management and progress will be monitored by the relevant Senior Management Team.	In place

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R3 Improve accounting practice and financial management by addressing the areas identified including: <ul style="list-style-type: none"> <li>liaise with the fixed asset register provider to ensure that future adjustments can be processed on a timely basis;</li> <li>review the aged NDR debt for recovery or write-off;</li> <li>review write-off policy to improve consistency in dealing with sundry debts; and</li> <li>ensure that all costs are monitored as part of the Council's budgetary process.</li> </ul>	2	Deputy Director of Finance and Interim Head of Central Finance	Agreed	We have liaised with fixed asset provider so that IFRS adjustments will be processed in October on timely basis.  Aged NDR debt will be reviewed as part of the Corporate Income and Debt Management project.  Write off policies will be reviewed as part of the Corporate Income and Debt Management Policy.  Non controllable costs will be monitored as the controllable cash limit is to highlight any variance at that time and corrective action taken as appropriate.	30 September 2010
16	R4 The Council should consider those areas for improvement identified by our value for money review and develop plans to address the priority improvement areas.	2	Director of Strategic Resources and Deputy Director of Finance	Agreed	Areas for improvement identified by the value for money review will be considered as an integral element of our ongoing commitment to continue to improve Value for Money.	30 September 2010

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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**MEMBERS' ATTENDANCE RECORD 2010/11**

**AUDIT COMMITTEE**

<b>COUNCILLOR</b>	<b>17/06</b>	<b>19/10</b>	<b>11/11</b>	<b>07/03</b>
Chohan	Ap			
Dhillon	P			
Haines	Ap			
Small	P			
Walsh	Ap			

P = Present for whole meeting  
Ap = Apologies given

P\* = Present for part of meeting  
Ab = Absent, no apologies given

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