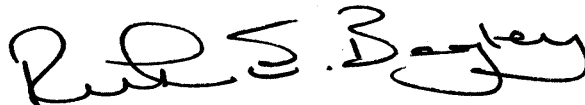


Date of issue: 5th March, 2014

MEETING:	AUDIT AND RISK COMMITTEE (Councillors Nazir (Chair), Abe, Bal, Chohan, S K Dhaliwal and Sharif)
	CO-OPTED INDEPENDENT MEMBER Mr Ajay Kwatra
DATE AND TIME:	THURSDAY, 13TH MARCH, 2014 AT 6.30 PM
VENUE:	MEETING ROOM 3, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: (for all enquiries)	SHABANA KAUSER 01753 787503

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 I

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

Apologies for absence.



sustainable
forest

AGENDA
ITEM

REPORT TITLE

PAGE

WARD

- | | | | |
|----|--|-----------|-----|
| 1. | Declarations of Interest | | |
| | <i>All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.</i> | | |
| | <i>That Chair will ask Members to confirm that they do not have a declarable interest.</i> | | |
| | <i>All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.</i> | | |
| 2. | Minutes of the last meeting held on 12th December 2013 | 1 - 4 | |
| 3. | Audit & Risk Committee Terms of Reference | 5 - 10 | |
| 4. | Internal and External Audit Plans | 11 - 42 | All |
| 5. | Audit & Risk Management Update - Quarter 3 2013-14 | 43 - 80 | All |
| 6. | 2013/14 Financial Statements | 81 - 110 | All |
| 7. | Members Attendance Record | 111 - 112 | |
| 8. | Date of Next Meeting - 10th July 2014 | | |

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.

Minicom Number for the hard of hearing – (01753) 875030



Audit and Risk Committee – Meeting held on Thursday, 12th December, 2013.

Present:- Councillors Nazir (Chair), Abe, Bal and Mr Kwatra (from 6.38pm)

Apologies for Absence:- Councillors Chohan and S K Dhaliwal

PART 1

21. Declarations of Interest

Councillor Bal declared a personal interest as his daughter worked for Slough Borough Council.

22. Minutes of the last meeting held on 22nd October 2013

Resolved – That the minutes of the meeting held on 22nd October 2013 be approved as a correct record, subject to the addition of Councillor Sharif to the list of apologies for absence.

23. Audit & Risk Management Update - Quarter 2 2013-14

The Assistant Director Finance & Audit summarised the Management Update for Quarter 2 2013-14 and the Head of Internal Audit introduced the Internal Audit Progress report which comprised Appendix A to the report.

The Committee were informed that good progress continued to be made in terms of finalising internal audit reports at a more appropriate rate than previously. The two internal audits from 2012-13 that remained outstanding related to St Josephs School, which was an amber-green opinion, and an advisory report on the Carbon Reduction Commitment. Of the 2013-14 opinions issued, ten were outstanding, seven of which related to schools and the three draft reports specifically relating to the Council had been relatively recently issued.

The Assistant Director reported an improvement in the comparative assurance levels since 2012-13 with 60% of opinions green or amber-green in the current year compared to 42% last year. A reduction in the number of high risk recommendations was also reported with 11% in 2013-14 compared to 18% in 2012-13. Members welcomed the continued improvement both in terms of the process of finalising reports more quickly than during 2012-13; the reduction in the number of high risk recommendations; and the increase in green and amber-green opinions.

(Mr Kwatra joined the meeting)

The Head of Internal Audit informed the Committee that of the 21 reports issued for the current year to date, three red opinions had been issued on Training & Development e-learning, Montem Primary School and Parlaunt Park Primary School. Members discussed a number of the specific issues

identified during these audits as set out in the report. Members expressed concern about the lack of a full cost-benefit analysis of the programme and the low levels of completion of mandatory e-learning courses on Information Security Awareness and Introduction to Health & Safety. It was agreed that the Assistant Director Finance & Audit, on behalf of the Committee, write to the Assistant Director Professional Services to seek an explanation for the low levels of completion and the actions undertaken to improve the position.

Members considered the weaknesses found during the audits of Parlaunt Park Primary School and Montem Primary School and expressed concern about both the common weaknesses identified in financial controls and the finding in the Parlaunt Park Primary School audit of three instances when staff had commenced employment without receipt of CRB clearance. After due consideration, it was agreed that the Assistant Director Finance & Audit, on behalf of the Committee, write to schools via the Schools Forum reminding them of the importance of completing the necessary employment checks and that the internal auditors also include this issue in the common themes they raise when attending the Schools Forum. It was also agreed that a copy of the schools common themes paper be circulated to the Committee.

The Committee also discussed the reasons why reports for schools were generally not finalised as quickly as those relating to Council activities. The Assistant Director stated that the onus was on schools, and particularly the governing body, to ensure finalising the reports was not unduly delayed and that the recommendations were responded to appropriately.

Resolved –

- (a) That the Audit & Risk Management Update, including the Internal Audit Progress Report, be noted.
- (b) That the Assistant Director Finance & Audit, on behalf of the Committee, write to the Assistant Director Professional Services to seek an explanation for the low level of completion of mandatory e-learning courses.
- (c) That the Assistant Director Finance & Audit, on behalf of the Committee, write to schools to remind them of the importance of completing the appropriate employment checks.
- (d) That the internal auditors Schools Common Themes paper be circulated to the Committee, and presented to the Schools Forum.

24. Annual Audit Letter 2012/13

The Council's external auditor, Mr Grant of BDO, summarised the key issues raised in the Annual Audit Letter 2012/13. The document had been finalised since the previous meeting of the Committee and had been published on the Council's website.

Mr Grant confirmed that an unqualified opinion had been issued on the financial statements for 2012-13. An Action Plan was in place to improve the process to try to ensure that the statutory deadlines for the audit of the 2013-14 financial statements were met. The Annual Governance Report contained a number of recommendations for strengthening the Council's arrangements for preparing the annual financial statements including roles and responsibilities and the preparation of working papers.

The Committee noted that an unqualified Value for Money conclusion had also been issued and Mr Grant commented that clear leadership had been demonstrated in relation to the Council's financial governance arrangements. The General Fund balance of £8.1m was considered to be sufficient based on the Chief Financial Officer's assessment. However, it was also noted that the Council continued to face significant challenges with a cumulative resource gap of £30m between 2013 and 2017 and various options were being considered to address this gap. Mr Grant reported that a number of specific areas of work had been examined, including the management of the transactional services contract with Avarto; the Council Tax Support Scheme and the early work of the Slough Regeneration Partnership and Slough Wellbeing Board and that no significant concerns had been identified.

The Committee were informed that the audit of grant claims had met statutory deadlines and that the preparation of the Whole of Government Accounts return was in progress and it was anticipated to be completed in the following week. Mr Grant commented on a number of other matters including operational performance, which had been mixed, and advised the Committee that a recommendation had been made to the Council to further develop its performance targets to consistently follow SMART principles.

Members noted the report and discussed future risks such as the potential impact of demographic change and migration on services such as housing and education. The Assistant Director confirmed that 'Unpredicted Demographic Changes' had been recognised in the Corporate Risk Register and such matters could be considered for inclusion in the Internal Audit Plan 2014/15 which would come to the Committee in March 2014.

Resolved – That the report be noted.

25. Members Attendance Record

Resolved – That the report be noted.

26. Date of Next Meeting - 13th March 2014

Resolved – That the next meeting of the Committee be held on Thursday 13th March, 2014 at 6.30pm.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.21 pm)

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit and Risk Committee

DATE: 13th March, 2014

CONTACT OFFICER: Shabana Kauser, Senior Democratic Services Officer
Joseph Holmes (Assistant Director, Finance and Audit)
(For all Enquiries) (01753) 875358

WARD(S): All

PART I
FOR DECISION

AUDIT AND RISK COMMITTEE - TERMS OF REFERENCE

1. **Purpose of Report**

To review and amend the terms of reference of the Committee.

2. **Recommendation to Council**

The Committee is requested to recommend that the Terms of Reference of the Committee be amended, as set out in Appendix A, with effect from the Annual meeting of the Council.

3. **Community Strategy Priorities**

There are no community strategy priority implications.

4. **Other Implications**

(a) **Financial**

There are no financial implications associated with this report.

(b) **Human Rights Act and other Legal Implications**

There are no Human Rights Act or other legal implications. The principles for allocating places on committees between political groups are set out in Sections 15-17 of the Local Government Housing Act 1989.

(c) **Workforce**

None.

5. **Supporting Information**

5.1 The Council is responsible for the establishment and terms of reference of committees and any revisions to the terms of reference of the Audit and Risk Committee need to be referred to Council for approval.

- 5.2 The constitution provides for an annual review of the Committee's terms of reference to ensure that they are relevant and meet current and expected future needs.
- 5.3 The Council's Annual Accounts and Annual Governance Statement (AGS) are currently considered and approved by Council.
- 5.4 Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) "Audit Committees: Practical Guidance for Local Authorities" 2005 recommended that Audit Committees assume responsibility for the approval of the AGS and the Annual Accounts. Specifically, the Committee would need to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 5.4 The Committee's terms of reference have been amended to reflect the changes in responsibility and best practice as outlined in paragraph 5.3 and are shown with track changes in Appendix A.
- 5.5 Committee Members are requested to recommend to Council that that the revised terms of reference be approved.

6. **Background Papers**

Chartered Institute of Public Finance and Accountancy (CIPFA) "Audit Committees: Practical Guidance for Local Authorities" 2005

ARTICLE 10 - AUDIT AND RISK COMMITTEE

The Council will appoint an Audit and Risk Committee

1 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 and responsibility for the approval of the financial statements and Annual Governance Statement.

Terms of Reference

2 Within the Terms of Reference of the Committee it will be

- a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility approving the financial statements on behalf of the full Council
- b. the member forum for internal audit matters,
- c. a key element of the internal control framework for the Council and take responsibility for the approval of the Annual Governance Statement on behalf of the full Council,
- 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 7 people (6 Councillors on a proportional basis, and one non-voting co-opted member from outside the Council with suitable experience). The quorum for the Committee is three members.

5 That Committee will meet four or more times per year.

6 In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit and Risk Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

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 auditor's 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 appointed body over the appointment of the Council's external auditor

(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 annual Internal Audit plan 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 contribute to the annual audit plan
- To comment on the scope and depth of the internal audit work and to ensure it gives value for money
- To consider any other reports the Chief Internal Auditor may make to the Panel.

(c) Internal Control

- 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

- Approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and 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
- Review the Council's risk register

(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 internal or external audit
- To take ownership of the Protocol on referring Matters to the External Auditor
- To review the Anti-Fraud and Corruption policy

(f) 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 are enhanced and actively promoted
- To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.

8 The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the [Strategic Director of Regeneration, Housing and Resources](#) ~~chief finance officer~~ for Cabinet.

9 The terms of reference shall be reviewed annually.

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 13th March 2014

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368

WARD(S): All

PART I
FOR DECISION

Internal & External Audit Plans: 2014-15

1 Purpose of Report

The purpose of this report is to provide members of the Audit & Risk Committee with a summary of the planned audits for 2014-15.

2 Recommendations: That

- a) Members comment on, suggest any amendments and approve the internal audit plan for the year ahead.
- b) Members comment upon, note and approve the External Audit plan for 2014-15.

3 Sustainable Community Strategy Priorities

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Community Strategy Priorities

Priorities:

- 1 *Economy and Skills*
- 2 *Health and Wellbeing*
- 3 *Regeneration and Environment*
- 4 *Housing*
- 5 *Safer Communities*

4 Other Implications

4.1 Financial

Any net increase to the number of internal audit planned days will have a financial pressure on the Council going forward.

4.2 Risk Management

This report concerns risk management across the Council

4.3 Human Rights Act and Other Legal Implications

n/a

4.4 Equalities Impact Assessment

There is no identified need for an EIA

5 Supporting Information

5.1 Overview

5.2.1 Internal and External Audit have different remits in respect of providing assurances to management and the Audit & Risk Committee, and these are detailed in the introductions to each report.

5.2.2 Both plans are risk focussed though as can be seen in appendix A and B these focus on different risks and provide different levels of assurance. External Audit focus much more on the Council's financial statements, though does have oversight, and places reliance on, internal audits work. Internal Audit's focus is broader and across the whole Council, and not always driven by risk to the Council's financial statements.

5.2.3 The full papers detailing the respective plans are included in appendix A and B for discussion and approval

6 Comments of Other Committees

None.

7 Conclusion

That the Audit Committee approves the internal audit plan.

8 Appendices Attached

'A' - Internal Audit Plan 2014-15
'B' - BDO External Audit Plan 2013-14

9 Background Papers

Baker Tilley Audit Reports to audit committee 2012-14

Slough Borough Council

Internal Audit Strategy 2012/13 - 2014/15

Presented at the Audit & Risk Committee meeting
of: 13th March 2013

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This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Council of our client and, pursuant to the terms of our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

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1 Developing the Internal Audit Strategy and Plan

This document sets out the approach we have taken to develop your internal audit strategy for 2012/13 – 2014/15 and the annual plan for 2014/15.

Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Definition of Internal Audit: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Slough Borough Council has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Board to support its Annual Governance Statement.

1.1 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. The Council's risk register for each Assistant Director and minutes from the Corporate Management Team were also reviewed to aid the planning process. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Joseph Holmes, Assistant Director, Finance & Audit (Section 151 Officer)
- The Corporate Management Team
- All four Senior Management Teams
- External Audit

The key areas / factors are summarised below.

Key areas discussed and their impact on the 2014/2015 internal audit plan

- | | |
|---|--|
| 1 | <p>The arrangement to embed and further utilise the HUB Transactional Services and partnership with arvato. A large number of the Council's services were transferred to this hub in 2012/13, such as financial systems, council tax and housing benefit. Therefore, a significant proportion of our audit plan has been dedicated to providing assurance on the effective operation of these systems. Furthermore, two additional services, IT & Customer Service transferred to arvato in 2013/14.</p> <p>A dedicated review of governance arrangements and the savings monitoring mechanisms have been scheduled for 2014/15.</p> |
| 2 | <p>Contract Management Arrangements was a significant area of weakness in 2012/13 and 2013/14 and therefore comprehensive coverage has been planned in this area in 2014/15. This includes reviewing arrangements for the management of the Amey Plc. and the Atkins Limited contracts, both of these reviews resulted in red (negative) opinions being provided in 2013/14.</p> <p>We are also intending to undertake an audit on Contract Management arrangements across the Council and to provide specific assurance over the arrangements within Educational Services.</p> |

3	<p>Procurement continues to be an area with a number of issues, where independent assurance is required and the Council's Procurement Team is currently undergoing significant change. We have therefore proposed a suitable amount of coverage on procurement activity in 2014/15 including a review on the progress made on Children's Services Procurement.</p>
4	<p>The requirement for independent reviews to enable the Council to sign off declarations on the Schools Financial Value Standard (SFVS) and the Troubled Families Programme.</p>
5	<p>The Council continues to develop and embed the Risk Management framework and culture. We will therefore be providing assurance that this continues to evolve in a timely and effective manner.</p>
6	<p>We have discussed the following key risk areas with the Section 151 Officer, where coverage had initially been planned within the 3 year strategy. All of these reviews have been delayed to 2015/16 where either other sources of assurance are being received or where it was felt that internal audit resource should be prioritised in other areas:</p> <ul style="list-style-type: none"> • Library Services Contract Management Arrangements; this is a significant contract in terms of value. The review could potentially be considered in 2015/16. • The Local Asset Backed Vehicle (LABV); this reflects a significant risk to the Council and suitable audit coverage had been aligned to this project to provide assurance to management. However, the Council confirmed that this project will be subject to scrutiny from External Audit, and therefore this does not form part of our Internal Audit plan for this year. • Training & Development: e-Learning; negative assurance was provided on this review in 2013/14. The high risk issues will however be considered when we undertake general follow up reviews in 2014/15. • Public Health/Health & Wellbeing Board Review; assurances on the arrangements relating to Public Health are received through the host Council within Berkshire. • Housing and Regeneration; a review on the housing department would be reconsidered in 2015/16.

The detailed internal audit plan for 2014/15 is set out at Appendix B.

As well as assignments designed to provide assurance or advisory input around specific risks facing the Council, the strategy also includes:

- Planned assurance on core areas of activity that will inform the Head of Internal Audit opinion;
- Time to follow up previous recommendations and actions to provide the Audit & Risk Committee with assurance on the actions taken by management to address these recommendations;
- Attendance at Divisional CMT meetings; and
- Audit management, which is used at Partner, Senior Manager and Assistant Manager level for:
 - quality control,
 - client and external audit liaison,
 - preparation of the annual opinion,
 - attendance at Audit & Risk Committee, Risk Management Group and Berkshire Audit Group.

2 Assurance Resources

2.1 Your Internal Audit Team

Your internal audit team is led by Daniel Harris as Head of Internal Audit.

Your Senior Manager is Chris Rising and your Assistant Manager is Andrew Patterson.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.2 Working with other assurance providers

We intend to meet with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

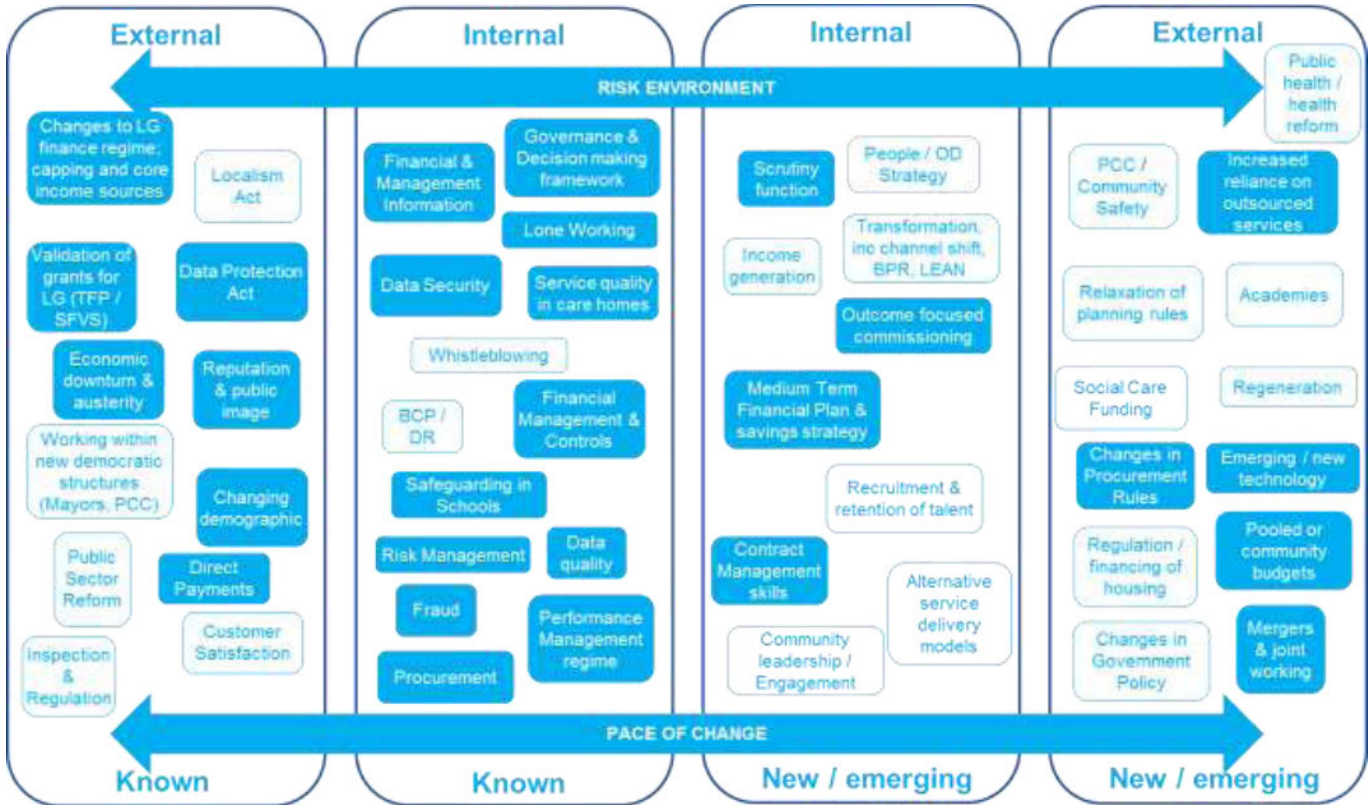
The Audit & Risk Committee is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

2.3 Considerations for the Audit & Risk Committee

- Is the Audit & Risk Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?
- Does the internal audit plan for 2013/2014 (Appendix B) reflect the areas that the Audit & Risk Committee believes should be covered as priority?
- Does the Internal Audit Strategy (Appendix D) cover the organisation's key risks as they are recognised by the Audit & Risk Committee?

Appendix A: Issues affecting Slough Borough Council

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in blue) are those where internal audit coverage is planned in the coming year.



Appendix B: Internal Audit Plan 2014/2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
Chief Executive Directorate				
Lone Working Procedures	<p>Risk: Failure to adhere to Health and Safety Practice with regard to lone workers.</p> <p>Coverage: Request of Chief Executive to review corporate approach to lone working and adherence to procedures and completion of relevant training.</p>	Assurance	Q1	June 2014
Governance	<p>Coverage: To provide assurance on the effective delivery of the proposed changes to the Council's governance arrangement that will be introduced in 2014/15.</p>	Assurance	Q3	March 2015
Annual Governance Statement	To assist the Council in the production of the Annual Governance Statement.	Advisory	Q4	March 2015
Wellbeing Directorate				
Direct Payments	<p>Coverage: To provide assurance that personalised budgets are appropriately approved and supported by suitable assessments, whether annual review of plans are occurring in a timely manner and on systems in place to notify of reviews due. We will also review the investigative processes in place to monitor usage of direct payments.</p>	Assurance	Q2	December 2014
Data Protection Act – Children's Services	<p>Request of Strategic Director, Wellbeing</p> <p>Coverage: To review Children's Services Access to Records to identify a streamlined approach which would avoid penalties.</p>	Advisory	Q3	December 2014
Troubled Families – Process & Validation Exercise	<p>Coverage: To adhere to DCLG requirements, the grant self-declaration should be approved within the Council's own Internal Audit arrangement prior to submission. Audit time has been allocated for two submissions within 2014/15.</p>	Assurance	Q2 & Q3	December 2014
Children's Services Procurement	<p>Coverage: Management request to provide assurance on the adherence to the appropriate procurement rules and effective implementation of a procurement plan within Children's Services.</p>	Follow Up	Q2	September 2014
Educational Services Contract Management Arrangements	<p>Coverage: The Council has appropriate processes in place to ensure that contracts are appropriately monitored to ensure successful delivery.</p>	Assurance	Q2	September 2014
Schools				
Schools Audits	<p>Coverage: To provide assurance over the effectiveness of governance and financial management arrangements within schools.</p>	Assurance	Q1 – Q3	Throughout

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
	<p>A schedule of the proposed schools for audit during 2013/14 is detailed in appendix E below. It is proposed that our audits will cover the following areas:</p> <ul style="list-style-type: none"> • Follow up of any previous recommendations made; • Leadership and governance • Financial planning and budget monitoring • Security of assets including maintenance • Payroll • Purchasing including Procurement arrangements • Safeguarding 			
Customer & Community Services Directorate				
arvato Phase 2 Governance and Savings monitoring arrangements	<p>Coverage: A review to determine whether suitable resources have been allocated within the Council to manage the second phase of the contract and that reporting mechanisms are in place to provide suitable assurance to management that savings are being realised.</p>	Advisory	Q1	September 2014
Purchase cards / credit card expenditure	<p>Coverage: To provide assurance over the effective management of procurement cards held by the Council. This will include authorisation of usage and monitoring of expenditure.</p>	Assurance	Q2	June 2014
IT Audit Coverage	<p>A strategic Internal Audit Plan needs to have some coverage of IT systems. We will agree the exact scope of this work with management. A potential option for consideration is the development and implementation of an IT Strategy and the contractor management arrangements with arvato.</p>	Advisory	Q2 – Q3	December 2014
Data Security	<p>Risk: Data Protection – Increased risk of breaches in data security and confidentiality when Council information is assessed away from Council sites via loss, theft or mishandling. Risk increased through arvato contract.</p> <p>Coverage: To be agreed with management</p>	Assurance	Q1	September 2014
arvato Performance Management	<p>Coverage: The audit will consider the following:</p> <ul style="list-style-type: none"> • The robustness of performance monitoring arrangements which have been established between the Council and the HUB to ensure that contractual performance can be effectively monitored; • The effectiveness of the operational of these arrangements in practice; 	Assurance	Q3	March 2015

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
	<ul style="list-style-type: none"> The quality and timeliness of data provided to support the meeting of performance targets. 			
Procurement	<p>Risk: Failure in procurement – Corporate Procurement and their knowledge is not used. Regulations are not adhered to.</p> <p>Coverage: To provide assurance that for a sample of procurement activity that Council and EU Procurement procedures have been adhered to.</p>	Assurance	Q2	December 2014
Contract Management	<p>Risk: Increased cost of contracts</p> <p>Coverage: To provide assurance that, for a sample of key contracts, that effective contract management processes are in place and whether suitable guidance and monitoring arrangements are implemented from a corporate perspective.</p> <p>Proposed contracts for sample testing include Interserve and Slough Community Leisure Limited.</p>	Assurance	Q1	December 2014
Carbon Reduction Programme	<p>Coverage: Two separate reviews to ensure the Carbon Reduction submissions and supporting evidence pack meet the Environment Agency requirements and to avoid fines and penalties.</p> <p>An audit of the 2012/13 evidence pack and submission and correction of any errors found and provision of any templates to improve efficiency.</p> <p>An audit of the proposed 2013/14 annual report submissions and supporting evidence pack to ensure compliance prior to submission.</p>	Advisory	Q1	September 2014
Resources Housing & Regeneration Directorate				
Risk Management	<p>Coverage: A maturity review to consider the approach to risk appetite and identifying controls and assurances on key risks.</p>	Advisory	Q4	March 2015
Data Quality	<p>Coverage: The audit will perform a deep dive review in to a chosen area of performance within the Council and consider the following:</p> <ul style="list-style-type: none"> The robustness of the data quality framework; Have robust processes for data quality been established throughout the Council The establishment of clear, transparent and appropriate targets. The accuracy of performance management data. <p>Validation process undertaken.</p>	Assurance	Q1	September 2014
VAT / Pensions	Management decision to focus audit on	Advisory	Q2	December 2014

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
	either VAT or pensions to provide assurance that the Council has effective arrangements in place for the accounting and management of VAT or pensions.			
Contract Management Arrangements – Atkins	Coverage: A follow up the recommendations made as part of our 2013/14 audit where a red opinion was provided.	Follow Up	Q2	December 2014
Schools Financial Value Standard (SFVS)	Coverage: Providing the assurance to the Council on the appropriate completion of each school's SFVS. This service will ensure the Council has a thorough assessment of each school to meet requirements of the Education Funding Agency. This will include a review as to whether supportive information including Internal Audit opinions are consistent with statements within each schools completed standards.	Advisory	Q1	June 2014
Counter Fraud Arrangements	Request of Section 151 Officer to review the Council's arrangements to prevent fraud and to provide assurance that robust systems are in place to ensure that an effective fraud service is provided to the Council.	Assurance	Q2	September 2014
Contract Management Arrangements – Amey	Coverage: A follow up the recommendations made as part of our 2013/14 audit where a red opinion was provided.	Follow Up	Q3	December 2014
Housing Arrangements	Request of the Strategic Director, Resources, Housing & Regeneration to include coverage within the audit plan on Housing. Coverage: The exact scope of this review will be determined nearer the time of the audit in conduction with the Strategic Director and Assistant Director, Housing & Environment.	Assurance	Q3	January 2015
Housing Benefit	Coverage to meet External Audit / Regulatory Requirements and any management concerns.	Assurance	Q3	March 2015
Council Tax		Assurance	Q3	March 2015
Business Rates		Assurance	Q3	March 2015
Rent Accounts		Assurance	Q3	March 2015
Payroll		Assurance	Q4	March 2015
Creditors		Assurance	Q4	March 2015
Income & Debt Management		Assurance	Q4	March 2015
Cash Collection & Management		Assurance	Q3	December 2014
Treasury Management		Assurance	Q3	March 2015
General Ledger		Assurance	Q3	December 2014

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
Asset Register		Assurance	Q4	March 2015
Capital Expenditure	<p>Coverage: A review to consider:</p> <ul style="list-style-type: none"> • Development and approval of the Capital Programme for the year; • Capital project approval • Monitoring of the delivery of the capital programme • The benefits realisation of a sample of capital projects implemented compared to original objectives. 	Assurance	Q3	March 2015
Budget Setting including Savings Plan	<p>Coverage: The audit will consider the following:</p> <ul style="list-style-type: none"> • The robustness of the budget setting process including the development of CIPs; • The involvement of budget holders in the development of budgets; • The budget sign off approval process. 	Assurance	Q2	September 2014
Budgetary Control including Savings Plan monitoring	<p>Coverage: The audit will consider the following:</p> <ul style="list-style-type: none"> • The robustness of the month end processes and budget report production; • The involvement of budget holders in management of individual budgets; • The timeliness and accuracy of financial reporting information 	Assurance	Q3	March 2015
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow Up	Q3 – Q4	March 2015
Management Meeting attendance	Management Meetings (Berkshire Audit Group, Risk Management Group, Schools Forum, Bursars Forum, SMT, DMT, CMT and other internal meetings where attendance is requested)		Q1 – Q4	N/A
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit & Risk Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 		Q1 – Q4	N/A

Appendix C: Additional Audits for consideration in 2014/2015

The following are a list of audits which were proposed to address specific risks at the Council during the planning process. These audits were not approved by officers to be included within the agreed audit plan for 2014/15 due to resource constraints and areas of higher priority.

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
Project Management Support Function	Coverage: Following on from support provided in 2013/14 where advice was provided to management on developing a streamlined, process that effectively monitors projects. This review could assist the Council on implementing change, including training to staff on effective Project Management.	Advisory		
Legal Services Workload Management	A common theme in Internal Audit reviews was the timeframe for issuing contracts from the legal department. Coverage: A review of arrangements to manage staff planning, prioritisation of work and consideration of the streamlining of procedures.	Assurance		
Compensation Arrangements	Coverage: A review to provide assurance that appropriate procedures are in place and adhered to for processing proposals for compensation including approval and segregation of duty.	Assurance		
Public Health	Coverage: A review to consider how management are assured that public health services are being effectively delivered in the community.	Assurance		
Adult Social Care – Lean Thinking	Coverage: An advisory review to consider how the service can work more efficiently.	Advisory		
School Places Programme	Coverage: A review to consider how this project is being appropriately managed including communications with public/Government.	Assurance		
Supporting Living	Background: Excessive costs (£000's) have been incurred through poor management at other Berkshire Local Authorities where contract providers have not been appropriately managed. This review would Coverage: This review would determine whether the Council is making payments as per hours received by customers rather than as per agreed service plans.	Assurance		
Procurement in Schools	Coverage: To provide assurance that for a sample of Schools where high costs have been incurred that their procurement	Assurance		

Audit	Internal Audit Coverage	Assurance / Advisory	Proposed Timing	Proposed Audit & Risk Committee
	activity has been compliant with the Scheme for Financing Schools and that EU Procurement procedures have been adhered to.			
Youth Service - Management Information	Coverage: A review to consider whether management are in possession of suitable data and intelligence in order to make informed decisions on Youth Services.	Assurance		
Emergency Planning	Coverage: A review to consider whether the Council are suitably prepared for potential emergencies. This will include consideration to scenario planning and test events.	Assurance		
Shared Service Setup Arrangements	Coverage: A review of arrangements with Royal Borough of Windsor & Maidenhead or any other Local Authority to determine whether the proposal offers financial/quality of service improvements.	Assurance		
Resources Housing & Regeneration Directorate				
Housing – Demand Management	<p>Risk: Managing increased demand. Concern of Audit & Risk Committee that influx of migrants on top of increasing population is having on the availability of housing.</p> <p>Coverage: Assurance to verify that a suitable strategy has been established and is being implemented to manage the demands on housing.</p>	Assurance		

Appendix D: Internal Audit Strategy 2012/13 – 2014/15

Auditable Area	2012/13	2013/14	2014/15
Chief Executive Directorate			
Partnership Arrangements	✓		
Gold Projects / Project Management	✓	✓	
Health & Safety		✓	
Workforce Planning and Use of Agency		✓	
Training and Development		✓	
Absence/Sickness Management	✓		
Recruitment	✓		
Annual Governance Statement	✓	✓	✓
Governance	✓	✓	✓
Declarations of Interest	✓	✓	
Lone Working Procedures			✓
Wellbeing Directorate			
Personalisation Policy	✓		
Contract Management - Block Contract Nursing Homes	✓	✓	
Direct Payments			✓
Data Protection Act – Children's Services			✓
Troubled Families – Process & Validation Exercise		✓	✓
Mallard's Children's Home			✓
Children's Services Procurement		✓	✓
Children's and Families Assessment Teams	✓		
Safeguarding Based Review	✓	✓	
Supporting People - Contract Management	✓		
Registered Bed Based Services	✓		
Fee Increase Project	✓		
Educational Services Contract Management Arrangements			✓
Schools Audits			
Schools Audits	✓	✓	✓
Customer & Community Services Directorate			
Freedom of Information Compliance		✓	
Business Continuity Arrangements	✓		
Leisure Services	✓		
Data Protection / Security	✓		✓
IT Strategy			✓
IT Applications Review		✓	
arvato – Governance Structure Setup Arrangements	✓		✓
Hiring of Council Buildings	✓		
Carbon Reduction Programme	✓		✓

Auditable Area	2012/13	2013/14	2014/15
Trading Standards		✓	
Blue Badges		✓	
Data Image Management	✓		
Youth Service		✓	
General IT Coverage		✓	✓
Purchase cards / credit card expenditure			✓
arvato Performance Management	✓	✓	✓
Procurement	✓	✓	✓
Contract Management	✓	✓	✓
Resources, Housing & Regeneration Directorate			
Performance Management	✓		✓
Data Quality	✓	✓	✓
Risk Management	✓	✓	✓
Housing Management System	✓		
Multiple Housing Occupancy	✓		
Estates & Facilities inc. Interserve Contract Management	✓		
Tenancy Fraud	✓		
Council Tax – Implementation of new rules		✓	
Additional Devolved Budget for Schools	✓		
VAT / Pensions	✓	✓	✓
Community based Cash Handling and Management	✓		
Atkins Limited – Contract Management & 3 rd Party Procurement		✓	✓
School's Financial Value Standard (SFVS)	✓	✓	✓
Contract Management Arrangements – Amey Plc		✓	✓
Financial Controls / System Based Audits			
General Ledger	✓	✓	✓
Creditors	✓	✓	✓
Treasury Management	✓	✓	✓
Debtors and Cashiers	✓	✓	✓
Asset Register	✓	✓	✓
Housing Benefit	✓	✓	✓
Council Tax	✓	✓	✓
Rent Accounts	✓	✓	✓
Business Rates	✓	✓	✓
Budget Setting	✓	✓	✓
Budgetary Control & Financial Reporting	✓	✓	✓
Capital Expenditure	✓	✓	✓
Treasury Management	✓	✓	✓

Appendix E: School Audit Coverage 2014/15

School Name	Proposed Timing (School Term)	Audit & Risk Committee
Nursery Schools		
Chalvey Early Years Centre (DFE: 1025)	Summer 2014	Tbc
Primary Schools (including Infants & Juniors)		
Holy Family Catholic Primary School (DFE: 5202)	Summer 2014	Tbc
Khalsa Primary School (DFE: 3366)	Summer 2014	Tbc
Our Lady of Peace Catholic Infant & Nursery School (DFE: 3353)	Summer 2014	Tbc
Parlaunt Park Primary School (DFE: 2244)	Autumn/Winter 2014	Tbc
St Anthony's Catholic Primary School (DFE: 3364)	Autumn/Winter 2014	Tbc
St Mary's CE Primary School Slough (DFE: 3070)	Autumn/Winter 2014	Tbc
Wexham Court Primary School (DFE: 2252)	Autumn/Winter 2014	Tbc

SLOUGH BOROUGH COUNCIL

AUDIT PLAN 2013/14 TO THE AUDIT AND RISK COMMITTEE
Audit for the year ending 31 March 2014



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EXECUTIVE SUMMARY

We are pleased to present our audit plan for the year ending 31 March 2014. This plan summarises the work that we propose to undertake in respect of our audit of Slough Borough Council for the 2013/14 financial year.

Significant Risks

Our audit is designed to respond to significant risks and identify where we intend to focus our resources in providing our opinion on the financial statements and our value for money conclusion. Summarised below are the significant risks that impact on our audit of which we are currently aware:

AREA OF AUDIT	SUMMARY OF SIGNIFICANT RISKS
Financial statements	<ul style="list-style-type: none"> Inherent risk of management override of controls Inherent risks of fraud in revenue recognition Financial Statements preparation and addressing the serious weaknesses identified by the prior year audit The new requirements of the 2013/14 Cipfa Code to obtain more regular valuations for property, plant and equipment. The Council will also need to ensure action is taken to address the weaknesses which meant PPE disclosures contained errors in the prior period
Use of Resources	<ul style="list-style-type: none"> Achievement of the efficiency savings plans published in the Medium Term Financial Strategy, including the savings planned from the transactional services hub Addressing serious weaknesses identified in services for children in need of help and protection, children looked after and Care Leavers identified by the external regulator (Ofsted) following an unannounced inspection in November 2013 Addressing the weaknesses identified by Internal Audit in contract management Achieving the objectives set for the Slough Wellbeing Board and delivery of public health responsibilities.

Fees

As set out in our Planning Letter 2013/14, the proposed core audit fee for the year is £168,960 plus VAT, which agrees to the scale fee published by the Audit Commission. Following our request for additional fees, the Audit Commission has not yet determined the final fee for the audit of the Council in 2012/13. At this time, we are not proposing any increase in the scale fee for 2013/14. We will immediately alert management and then the Audit and Risk Committee should the 2013/14 audit not proceed in accordance with our agreed plans. The proposed fee for the certification of claims and returns is £17,200 plus VAT, which agrees to the indicative scale fee published by the Audit Commission. The indicative fee for 2013/14 certification work is based on the final 2011/12 fee but has been reduced for schemes no longer requiring certification. It is possible that the actual certification fees for 2013/14 may differ from the indicative fee if we find that it is necessary to undertake additional work on individual claims or returns. Auditors must obtain the agreement of the Audit Commission to any proposed variations the scale fee.

Key outputs

The key reports, opinions and conclusions from the audit will be:

REPORT	DATE
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	June 2014
Final report to those charged with governance	September 2014
Independent auditor's report including: <ul style="list-style-type: none"> Opinion on the financial statements Value for money conclusion Certificate 	By 30 September 2014
Assurance statement on the Whole of Government Accounts return	By 3 October 2014
Summary of findings from the audit in the Annual Audit Letter	October 2014
Report on our grant claims and returns certification work	January 2015

SCOPE OF THE AUDIT

Purpose of the audit plan

The purpose of this audit plan is to:

- Ensure that there is mutual understanding of the respective responsibilities relating to the audit
- Provide you with an overview of the planned scope of the audit for the year ending 31 March 2014
- Ensure that the areas of potential risk of material misstatement which we have identified are consistent with the areas which you perceive to be the key areas and to promote effective two-way communication between us.

We will also provide reports to management and the Audit and Risk Committee on our audit findings which will focus on the significant matters arising from the audit of the Council regarding internal control, financial governance and reporting and accounting arrangements. We aim to provide management with clear recommendations that will add value to the Council.

Respective responsibilities

Our responsibilities, as auditors, in relation to the audit of the financial statements and other Audit Commission requirements are set out below. The audit of the financial statements does not relieve you of your responsibilities which are outlined in the Statement of Responsibilities of Auditors and Audited Bodies (2010) available from the Audit Commission's website.

Auditing Standards require auditors to communicate relevant matters relating to the audit to "those charged with governance". Relevant matters include issues on auditor independence, audit planning information and findings from the audit.

We will communicate matters of governance interest that have come to our attention as a result of the audit. Communication may take the form of discussions or, where appropriate, be in writing. The audit is not designed to identify all matters that may be relevant to you.

Our contacts for communications will be the Assistant Director of Finance and Audit and the Audit and Risk Committee. When communicating with the Audit and Risk Committee we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect fraud and corrupt practices lies with management and "those charged with governance" (the Audit and Risk Committee).

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the Assistant Director of Finance and Audit, the Head of Internal Audit and have written to the Chair of the Audit and Risk Committee. Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

For all fraud risks, and for any actual frauds that have been identified and we have been informed of, we will consider the possible impact on your financial statements and our audit programme.

Code audit

The scope of the audit is determined by the Audit Commission's Code of Audit Practice for Local Government (2010) (the 'Code'), which covers two areas: provide an opinion on the financial statements, and to review the arrangements for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

The financial statements audit requires that we obtain assurance:

- That the financial statements comply with statutory requirements
- That proper practices have been observed in compiling the financial statements
- That the financial statements give a true and fair view of the financial position and the expenditure and income for the year
- The information given in the Explanatory Foreword to the Statement of Accounts is consistent with the financial statements
- That the Annual Governance Statement is not inconsistent with our knowledge.

As part of our audit we obtain an understanding of the Council's system of internal control sufficient to plan the audit. We assess the adequacy of the design of specific controls that respond to significant risks of material misstatement and evaluate whether those controls have been implemented. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

In order to achieve an efficient and cost effective audit, we aim to work closely with Internal Audit to minimise duplication and the overall level of audit resource input.

We have planned the audit on the basis that we will be able to place full reliance on the work of Internal Audit where they intend to provide assurance over key controls within the financial systems.

We will communicate to management any deficiencies in internal control identified during the audit. Where those deficiencies are significant, we will also communicate to the Audit and Risk Committee.

Materiality and triviality

Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. In carrying out our work we will apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all potential or actual misstatements.

For reporting purposes, we consider misstatements of less than £84,000 to be trivial, unless the misstatement is indicative of fraud. We are required to bring to your attention unadjusted audit differences that are more than trivial that the Audit and Risk Committee are required to consider and we will request that you correct them.

Value for money conclusion

The Code requires auditors to issue a conclusion on whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience; the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness; the organisation is prioritising its resources within

tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will plan a programme of value for money audit work based upon our risk assessment.

Whole of Government Accounts

Local authorities are required to prepare information to allow HM Treasury to prepare consolidated Whole of Government Accounts (WGA) based on the statutory financial statements.

The WGA return is audited in accordance with Audit Commission specified procedures. We provide an assurance report to the National Audit Office to confirm that the WGA return is consistent with the audited financial statements and that it is properly prepared.

Certification of grant claims and returns

As an agent of the Audit Commission we will undertake a review of grant claims and returns in accordance with the certification instruction issued by the Audit Commission. We express a conclusion as to whether the claim or return: is in accordance with the underlying records (claims and returns above the minimum level and below the threshold); or is fairly stated and in accordance with the relevant terms and conditions (claims and returns over the threshold).

Engagement partner

Robert Grant is the engagement partner and is the person in the firm who is responsible for the audit engagement and its performance and for the report that will be issued on behalf of the firm.

We aim to provide a high quality of service to you at all times. If, for any reason or at any time, you would like to discuss how we might improve the service, or if you are in any way dissatisfied, please contact Robert Grant in the first instance. Alternatively you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly.

If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>

Independence and objectivity

We are required to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff.

In relation to the audit of the financial statements for Slough Borough Council for the financial year ending 31 March 2014, we are able to confirm that the Audit Commission's requirements in relation to independence and objectivity have been complied with and we are not aware of any relationships that would affect our independence. Should this change we will update you accordingly.

RISK ASSESSMENT

We are committed to targeting work to where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. The determination of significant risks is a matter for auditors' professional judgment.

For each of the significant risks identified, we consider the arrangements put in place to mitigate the risk and plan our work accordingly. Current and emerging risks that do not impact on our audit are also discussed with management so that we may add value to the risk assessment process and highlight any areas of concern to the Council.

If you consider there to be other significant risks of material misstatement in the financial statements or, arrangements for securing economy, efficiency and effectiveness in the use of resources, whether due to fraud or error, please let us know.

Summarised below are the significant audit risks that impact on our audit of which we are currently aware.

FINANCIAL STATEMENTS AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
MANAGEMENT OVERRIDE	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Financial statement level risk across all account headings and assertions.	We will carry out audit procedures to review significant journals and other adjustments in preparing the financial statements, review the reasonableness of assumptions used by management when including accounting estimates, and obtain an understanding of unusual transactions.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud and error in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.	Occurrence, accuracy and cut-off of income	We will substantively test a sample of income received and debtor accruals to ensure that accounting policies have been correctly applied in determining the point of recognition of income.

FINANCIAL STATEMENTS AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
FINANCIAL STATEMENTS PREPARATION	<p>Our prior year audit identified weaknesses in the Council's arrangements for preparing the financial statements. Material errors were found by our audit and substantial changes were made across all disclosure notes. Prior period adjustments were also required and our audit opinion was given one month after the Government's deadline. Significant amendments were made to:</p> <ul style="list-style-type: none"> • The Comprehensive Income and Expenditure Statement (CIES) • Cash Flow Statement and supporting notes • Movement in Reserves Statement and the note for adjustments between accounting basis and funding basis under regulations • property, plant and equipment note • financial instruments note • amounts reported for resource allocation decisions note • senior officer remuneration bandings note • leases note • exit packages note. <p>The Council has commenced a project to address these weaknesses in producing the 2013/14 accounts.</p> <p>However, until improved outcomes can be fully demonstrated, including sufficient progress against the recommendations made in the prior year, there is an audit risk regarding the accuracy and completeness of the financial statements.</p>	Engagement level risk across all financial statement balances and disclosures	<p>We will work with the finance team to assess progress towards the project for improving production of the 2013/14 financial statements. This will include:</p> <ul style="list-style-type: none"> • carrying out an early review of the draft financial statements against the requirements of the <i>Code of practice for Local Authority Accounting 2013/14</i> • undertaking early review of any contentious issues and proposed accounting treatment in the lead up to the accounts closedown process • issuing a detailed list of audit working paper requirements and briefing finance staff on good practices that can be followed in preparing working papers to support the financial statements • obtaining assurance that management has carried out a critical review of the financial statements before they are submitted for audit; this could be evidenced by comprehensive explanations for all significant variances from the prior year.

FINANCIAL STATEMENTS AUDIT RISKS			
RISK	RISK DETAIL	ACCOUNTS AREA AND ASSERTIONS	AUDIT RESPONSE
VALUATION OF PROPERTY, PLANT AND EQUIPMENT	<p>The Code of practice for Local Authority Accounting 2013/14 (the Code) has removed the previous Code requirement for non current assets to be revalued at intervals of not more than five years. It now states that valuations are to be carried out with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. In addition, items within a class of property, plant and equipment should be revalued simultaneously. A class of assets may be revalued on a rolling basis as long as the revaluation of the class of assets is completed in a short time and valuations are kept up to date.</p> <p>The Council has previously followed a five year rolling programme of revaluations as at 1 April each year and obtained supplementary reports to confirm there were no material changes at year end. However, we reported in the prior year that the evidence retained by management to support its assessment of the carrying value of assets outside of the annual valuation programme was limited.</p> <p>In addition, our prior year audit identified a number of other issues in relation to the valuation of property, plant and equipment:</p> <ul style="list-style-type: none"> • There was no evidence of a formal review of the useful economic lives of non current assets in the prior year • There was a high level of fully depreciated assets in the fixed assets register which may still be in use and therefore may have a value to the Council • For buildings revalued in the year the Council had used the weighted average useful economic lives provided by the Valuer for depreciating components rather than the actual lives for each component. <p>There is a risk that non current assets may not have a fair value at 31 March 2014 if Code requirements are not addressed effectively.</p>	Valuation of property, plant and equipment	<p>We will review the evidence provided by management to support the fair value of its property, plant and equipment at year end, and assess whether:</p> <ul style="list-style-type: none"> • There is sufficient and appropriate justification for the valuation of land and buildings not formally revalued in the year • There is sufficient evidence of a formal review of the useful economic lives • Fully depreciated assets in the fixed assets register are either removed because they are no longer held by the Council or revalued where they are still in use • Depreciation has been adequately calculated on a componentisation basis.

USE OF RESOURCES AUDIT RISKS		AUDIT RESPONSE
RISK	RISK DETAIL	
	<p>FINANCIAL RESILIENCE</p> <p>The Government continues to reduce funding for local government over the Comprehensive Spending Review period. The Council's net revenue budget has reduced by 8% and by the end of the 2014 to 2018 Medium Term Financial Strategy (MTFS) it is expected to have reduced by 22%.</p> <p>Combined with additional pressures arising from demographic changes and new arrangements for funding council tax support and the business rate retention scheme, further risks are emerging for all councils to balance the financial position over the medium and longer term planning horizons. In Slough, the three largest expenditure areas of Adult Social Care, Children's Social Care and Waste Management are all seeing demand-led growth to their budgets.</p> <p>For 2013/14 the Council is currently reporting (as at month 9) that the overall budget is expected to be achieved. Within this there are various budget pressures and overspends that are being matched by savings initiatives and underspends in other areas. The Council has a savings target of £9.4 million for the year. However, there are a number of savings schemes that are at risk of not being achieved. These include some procurement savings and planned savings relating to phase two of the outsourced transactional services contract. In addition, the 2013/14 budget included £1 million of savings from phase one of the transactional services contract. However, the overall budget for the service was increased by £2.7m to take account of savings not being delivered.</p> <p>The MTFS for 2014 to 2018 includes a savings requirement of £43.5 million for the four year period, with savings proposals identified. Achieving this scale of savings will continue to present a significant financial risk for the Council.</p>	<p>We will review the Council's MTFS to assess the reasonableness of assumptions and how well the Council is addressing financial pressures. As part of this work we will select a sample of savings schemes underpinning the MTFS and assess whether they are 'SMART' (specific, measurable, attainable, relevant and time-bound).</p> <p>We will also review action taken by the Council to address the issues identified by Internal Audit in relation to the 2013/14 budget setting process.</p>
MEDIUM TERM FINANCIAL STRATEGY		
	<p>ECONOMY, EFFICIENCY AND EFFECTIVENESS</p> <p>In November 2013 Ofsted carried out an unannounced inspection of the Council's services for children in need of help and protection, children looked after and care leavers. The report was published in February 2014 and concluded that the effectiveness of the service was inadequate (widespread or serious failures). Specifically, Ofsted stated... <i>'there are widespread and serious failures that create or leave children being harmed or at risk of harm and serious failures and unnecessary delay in identifying permanent solutions for looked after children which result in their welfare not being safeguarded and promoted'</i>.</p> <p>As there is a significant risk that the Council is not achieving value for money in this key service, this could adversely affect our value for money conclusion for the year ending 31 March 2014.</p>	<p>We will review the Council's arrangements to develop an implement an action plan that adequately addresses the areas for improvement identified by Ofsted, and the monitoring arrangements that are put in place to ensure achievement.</p> <p>We will also review whether the Council has adequately assessed and planned for any financial consequences arising from the improvement plan agreed with Ofsted.</p>
SAFEGUARDING CHILDREN'S SERVICES		

USE OF RESOURCES AUDIT RISKS		AUDIT RESPONSE
RISK	RISK DETAIL	
CONTRACT MANAGEMENT ARRANGEMENTS	<p>Internal Audit's review of contract management in the prior year concluded there was no contract management framework in place, the contracts register was not fully completed and performance information from suppliers was not always sufficient to enable management to determine whether value for money was being achieved.</p> <p>Internal Audit's follow up in the current year has found that these issues have not yet been addressed. Further reviews of specific contracts in the current year have also identified weaknesses in procedures.</p>	<p>We will review progress being made against Internal Audit's 2013/14 recommendations for improvements in contract management.</p> <p>As a key line of enquiry for assessing whether the Council is obtaining value for money from its key contracts, we will review the Council's arrangements for progressing the delivery of projects through the Slough Regeneration Partnership LLP.</p>
SLOUGH WELLBEING BOARD	<p>The Slough Wellbeing Board ('the Board') was established with full statutory powers on 1 April 2013 with relevant partners in accordance with the Government's timetable. The Board has built on the work of the outgoing Local Strategic Partnership and is now working towards its published priorities. The work of the Board is continuing to develop in the light of the 2013/14 Care Bill and the funding provided to the Council through the Government's Better Care Fund. Specific risks we have identified for Slough are:</p> <ul style="list-style-type: none"> Developing and then embedding the performance management framework to underpin achievement of priorities published in the Slough Wellbeing Strategy Developing the work of the Board to assist in securing the improvements in public health expected in Slough's Public Health Strategy for the period 2013 to 2016 Preparing for the enhanced responsibilities contained in the 2013/14 Care Bill Securing value for money from the resources provided through the Better Care Fund (in Slough's case £8.7m in 2013/14) while further promoting the wellbeing of local residents. 	<p>We will:</p> <ul style="list-style-type: none"> Review the performance management arrangements established for the Slough Wellbeing Board Review the further development of the Slough Wellbeing Board work programme for public health Assess the Council's arrangements for delivering the outcomes expected in the 2013/14 Care Bill Review the outcomes secured from the projects established with partners under the Better Care Fund.

AUDIT TIMETABLE

The timetable for key reports, opinions and conclusions from the audit will be:

OUTPUT	DATES
FINANCIAL STATEMENTS	
Review of internal controls	April - June 2014
Final audit visit	July - September 2014
Audit opinion covering: <ul style="list-style-type: none"> • ‘True and fair’ opinion on the financial statements • Information in the Statement of Accounts being consistent with auditor’s knowledge • Annual governance statement is prepared in accordance with guidance and not inconsistent with auditor’s knowledge • Opinion on the Whole of Government Accounts return. 	Clearance meeting to be held in early September 2014 Audit opinion by 30 September 2014 WGA opinion by 3 October 2014
USE OF RESOURCES	
Review of economy, efficiency and effectiveness	January 2014 - July 2014
Value for money conclusion	By 30 September 2014
GRANTS	
Audit of grant claims and returns	August to November 2014
REPORTING	
Report on any significant deficiencies in control (if required)	June 2014
Final report to those charged with governance	September 2014
Annual Audit Letter	October 2014

We will agree specific dates for our visits with officers in advance of each part of our programme, and we will work closely with officers during the year to ensure that all key deadlines are met. We will also meet regularly with senior officers to discuss progress on the audit and obtain an update on relevant issues.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 13th March 2014

CONTACT OFFICER: Joseph Holmes; Assistant Director, Audit & Finance
(For all enquiries) (01753) 875368

WARD(S): All

PART I
FOR COMMENT

Audit & Risk Management Update – Quarter 3 2013-14

1 Purpose of Report

The purpose of this report is to:

- (a) Report to members on the progress against the 2013/14 Internal Audit Plan up to Quarter 3
- (b) Report to members on the progress of the implementation of Internal Audit recommendations
- (c) Report to members the outcome of the External Auditors work on grant claims in respect of the 2012-13 financial year
- (d) Report to members the Council's latest counter-fraud activity
- (e) Report to members the Council's Risk Register

2 Recommendation

That Committee Members comment on and note the reports.

3 Sustainable Community Strategy Priorities

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Community Strategy Priorities

Priorities:

- 1 *Economy and Skills*
- 2 *Health and Wellbeing*
- 3 *Regeneration and Environment*
- 4 *Housing*
- 5 *Safer Communities*

4 Other Implications

4.1 Financial

The impact of the external auditors grant claim audit could have potential financial impact through amending grant claims and the additional work carried out by BDO.

4.2 Risk Management

This report concerns risk management across the Council

4.3 Human Rights Act and Other Legal Implications

None.

4.4 Equalities Impact Assessment

There is no identified need for an EIA

5 Supporting Information

5.1 Overview

5.1.1 Baker Tilley have completed a number of audits from their work during the third quarter of 2013-14.

5.1.2 It should also be noted that overall Internal audit reports are continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2012-13 internal audits, only two remain outstanding and this is an amber-green report in respect of a school and an advisory report on the carbon Reduction Commitment. Of the 2013-14 internal audit opinions issued, there are ten outstanding, one of which is a school. All of these draft reports are recent and have been raised in the period since the last Audit & Risk Committee, with the majority issued in the past month.

5.1.3 Overall assurance levels have also improved compared to the previous year. The comparative percentage of red and amber-red reports have decreased significantly when compared to the previous year as at the end of quarter 3 which is a positive movement. Overall recommendations that are at the various risk levels remain the same as in previous year's levels

5.1.4 The Council continues to monitor the progress of internal audit recommendations. As at the beginning of December, of the high and medium risk recommendations raised, 90% have seen action being taken to progress these or have been superseded, compared to a figure of 85% in the previous quarter.

5.1.5 The Council's external auditors (BDO) have completed their audit of the grant claims completed by the Council during the 2012-13 financial year. Of the four grant claims BDO reviewed, two were issued with qualification letters. Of these, the Council adjusted the financial statements for 2012-13, which were approved by the Council and Audit & Risk Committee, in line with the finalised grant claim for Business Rates (National Non-Domestic Rates). The Council is currently assessing the impact of the qualification of the Housing and Council Tax Benefit Subsidy claim.

5.2 Internal Audit Q1 2013-14 progress report

5.2.1 The full report is attached at appendix A.

5.2.2 The Council has continued to show an improvement in overall assurance levels as expressed through the audit opinions issued. There is a much lower level of red and amber-red report issued in the current year compared with the previous year. This demonstrates an improved level of overall assurance on audits across the Council.

5.2.3 The progress shown in previous reports via a reduced number of high risk recommendations has been remained flat in quarter 3 with the same number of the various risk recommendations raised during the current year compared to the previous year.

	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2013/14	34	90	65	189
% OF RECOMMENDATIONS 2013/14	18%	48%	34%	
% OF RECOMMENDATIONS 2012/13	18%	48%	34%	

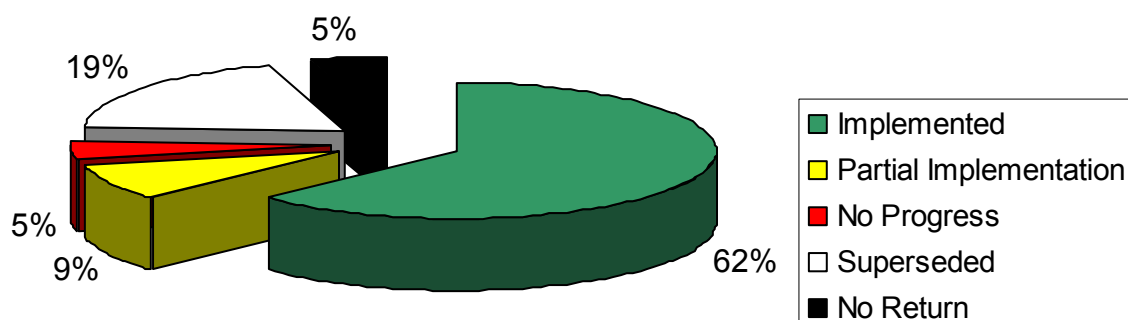
	GREEN	AMBER GREEN	AMBER RED	RED
AUDIT OPINIONS 2013/14 (N.B ALSO 2 ADVISORY & 1 FOLLOW UP REVIEW)	4	15	6	5
% OF OPINIONS 2013/14 AS AT FEB 14	13%	50%	20%	17%
% OF OPINIONS 2012/13	13%	29%	36%	22%

Audits that

Audit Title	Draft Issued	Responses due	Client sponsor
Carbon Reduction Management 54 12.13	04/05/13	18/05/13	Not Listed
Foxborough	25/06/13	08/07/13	Head
Data Quality Corp Balanced scorecard 19 13.14	08/11/13	22/11/13	Joseph Holmes
OLOP Junior 19 13.14	22/11/13	07/12/13	Head
Contractual Management Arrangements - Amey Plc 23 13.14	17/12/13	31/12/13	Neil Aves
Use of Agency and Workforce Planning 24.13 14	06/01/14	20/01/14	Julie Pickering
Business Rates 26 13.14	20/01/14	02/02/14	Roger Parkin

5.3.2 The Risk and Insurance Officer regularly monitors the progress of the implementation of “high” or “medium” recommendations made following Internal Audit reports. Below is a graph that shows the percentage of recommendations that have either been implemented, are in progress, no action has been taken, or the recommendation has been superseded.

Internal Audit Recommendations due by 31st Jan 2014 (excluding schools)



5.3.3 The table below details those audits where recommendations are still outstanding or where requests for information has no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
Corporate Reports		
Asset Register 52.12.13	0	1
Business Continuity Planning Arrangements 41 12/13	0	5
Estates & Facilities Management 43 12.13	0	1
Training & Development 13 13.14	1	0
Sub Total	1	6
Schools		
Baylis Court Nursery School 16 13 14	0	1
Claycotts Primary 39 12 13	4	12
Haybrook College 9 12 13	1	6
Littledown 7 13.14	0	1
Montem Primary 14 13.14	0	1
Priory School 3.13/14	0	2
St Josephs	0	1
Wexham 20 13.14	0	1
St Bernards 12 13.14	1	0
Total	7	31

5.4 External Audit (BDO) grant report

5.4.1 The grants audit final report is included in appendix B – full details are included within this.

5.4.2 An update on progress against the 2012-13 audit of the financial statements is included in a separate report to the committee, as well as a progress update on the 2013-14 closedown preparations.

5.5 Fraud update

- Every year the Council is required to report all fraud activity with a value over £10,000. Below is a summary table of activity completed in the current year.

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Subject running a business and claiming Housing Benefit.	HB: £42,000.01 CTB: £7,606.94 TOTAL: £49,607.04	Proceeds of Crime Act on conviction	Impending prosecution. Committed to Crown Court 14
Undisclosed Income and sublet of SBC property while claiming benefit.	HB: £10,035.88 CTB: £1,994.71 Total: £12,030.59	Proceeds of Crime Act on conviction	Guilty 27/01/14. Matter adjourned for sentence and POCA recovery.
Undisclosed partner and income while claiming benefits.	HB: £13,789.85 CTB: £1,855.42 Total: £15,645.27	Proceeds of Crime Act on conviction	Not guilty plea entered 07/01/14. Trial to be listed.
Undisclosed income and property while claiming Housing Benefit	HB: £18,935.03 CTB: £5,067.01 Total: £24,002.04	Proceeds of Crime Act on conviction	Guilty Prosecution 07/01/14. 24/01/14
SBC employee subletting and SBC property	Cost to council £16,000 pa in non availability for appropriate allocation. Offending spanned 2 years = £32,000	Proceeds of Crime Act Full cost not recoverable as does not represent the defendants gain.	Confiscation hearing listed 24/02/14 seeking recovery of loses.
Undisclosed Income whilst claiming benefits.	HB: £15,062.30 CTB: £2,856.03 Total £17,918.33	Through debtors system	Prosecution. Not guilty outcome.
Failure to declare partner whilst claiming benefit.	HB: £16,496.32 CTB £5,019.14 Total £21,515.46	Through debtors system	Prosecuted
Failure to declare partner	HB £14,030.72	Through debtors	Prosecuted

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
whilst claiming benefit.	CTB £1,251.38 Total: £15,282.10	system	
Total	£188,000.83		

5.6 Corporate Risk Register

5.6.1 The Corporate Risk Register is included within appendix C. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.

6 Comments of Other Committees

None

7 Conclusion

That the Audit Committee notes the latest updates from Internal Audit.

8 Appendices Attached

- 'A' - Internal Audit Q3 2013-14 Report
- 'B' - BDO grant claims audit report
- 'C' - Corporate Risk Register

9 Background Papers

Baker Tilley Audit Reports

Appendix A – Internal Audit Progress report

Introduction

The internal audit plan for 2013/14 was approved by the Audit and Risk Committee on the 25 March 2013. This report provides an update on progress against that plans and summarises the results of our work to date.

Since the last Audit and Risk Committee held in December 2013 the following 12 audit reports, relating to the 2012/13 and 2013/14 plan have been finalised:

2012/13

- St Joseph's Catholic High School (59.12/13)

2013/14

- Children's Services Procurement (4.13/14)
- Lea Nursery School (6.13/14)
- Littledown School (7.13/14)
- St Bernard's Catholic Grammar School (12.13/14)
- Baylis Court Nursery School (16.13/14)
- Budget Setting (18.13/14)
- Wexham School (20.13/14)
- Council Tax (27.13/14)
- Housing Benefits (28.13/14)
- Youth Service (29.13/14)
- Freedom of Information (31.13/14)

A summary of the key issues contained within these reports and the high priority recommendations are detailed in the report below from page 3.

Key Issues

Outstanding audit report from 2012/13:

The Carbon Reduction Programme audit report remains outstanding from 2012/13. The responsible officer for this area (following the previous postholders departure) has been in contact with Internal Audit to identify what work is required in order to finalise this report and ensure compliance in 2013/14 and 2014/15 with the Carbon Reduction programme (2014/15 will be last year of the CR programme).

The 2013/14 audit plan:

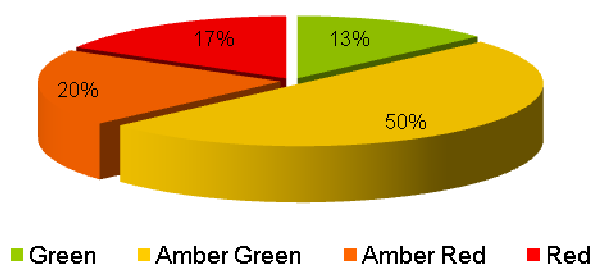
As at the 12th February 2014, 33 audit reports had been issued to the council, 23 of these had been finalised (70%), with the remaining 10 at draft stage. It should be noted that one of the draft reports relates to a schools audit.

Regarding the nine reports outstanding within the council, seven of these have only recently been issued in 2014. The remaining three were:

- An advisory review on Project Management which we are aware has been escalated to the Chief Executive for a final review.
- A Data Quality: Corporate Balanced Scorecard review where we are in discussion over some responses received from Officers in December 2013.
- A Contract Management review of Amey Plc. For which the Interim Assistant Director, Commissioning & Procurement has requested responses from those who manage this contract to them by the 20th February 2014 in order to respond to Internal Audit.

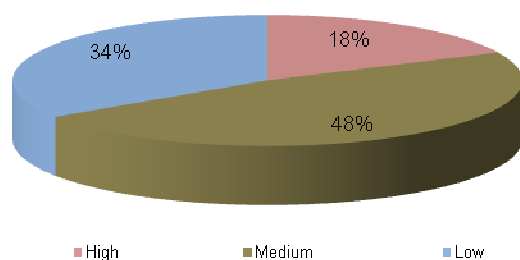
Of the 11 final reports issued since the date of the last Audit and Risk Committee, no 'Red' reports have been issued and two 'Amber Red' reports have been issued in final. Within these 11 reports six high recommendations were raised. Further details on these matters are highlighted below at page 4.

Assurance Levels 2013/14 to date



	GREEN	AMBER GREEN	AMBER RED	RED
AUDIT OPINIONS 2013/14	4	15	6	5
(N.B ALSO 2 ADVISORY & 1 FOLLOW UP REVIEW)				
% OF OPINIONS 2013/14 AS AT FEB 14	13%	50%	20%	17%
% OF OPINIONS 2012/13	13%	29%	36%	22%

Recommendation categorisations in 2013/14 reports to date:



	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED 2013/14	34	90	65	189
% OF RECOMMENDATIONS 2013/14	18%	48%	34%	
% OF RECOMMENDATIONS 2012/13	18%	34%	48%	

The tables show some progression by the Council with a larger proportion of Amber-Green opinions compared to 2012/13 and a lower proportion of 'Amber-Red' and 'Red' reports.

Key Findings from 13/14 Internal Audit work

Of the 33 issued for the current year to date where a formal opinion has been provided, five of these have resulted in a red opinion. It should be noted that two of these remain in draft and we are in discussions with management regarding the findings and recommendations.

The red opinions relate to:

- Atkins Limited – Contract Management & Third Party Procurement (draft)
- Contract Management Arrangements – Amey Plc (draft)
- Training and Development – E-Learning
- Parlaunt Park Primary School
- Montem Primary School

It is imperative that actions to address the weaknesses identified within these reports are undertaken on a timely basis to ensure that these systems can operate effectively in the future.

The results of the red opinion reviews to date will impact, but not qualify, our Head of Internal Audit Opinion for the year, and some of these issues will need to be considered in the preparation of the Annual Governance Statement.

Other Matters

Planning and Liaison:

The time-table for quarter four audits for 2013/14 has been agreed, and scoping meetings held for these audits. As at the 12th February 2014 nine audits were due to commence in the remainder of the financial year.

Monthly meetings continue to be held with the Assistant Director, Finance and Audit, where progress against the plans, responses to draft reports and upcoming audits being discussed.

Additional Internal Audit Coverage/Added Value Service:

We have regularly attended meetings of the Risk Management Group and provided guidance on the proposed content of Risk Management Tools, for instance, risk impact scenarios. We have also attended the most recent meeting of the Berkshire Internal Audit Group where common themes/audit proposals were shared and the group shared any emerging fraud issues.

To assist in embedding risk management throughout the Council we have attended Senior Management Team meetings across each directorate. During these meetings we have highlighted; outstanding reports, common themes for audits, upcoming audits and enquired about emerging risks. This has proven successful in identifying progress made on remedial actions where weaknesses had been identified in previous Internal Audit reviews and to provide a forum for proposing internal audit coverage in 2014/15.

Given the issues identified in the past 18 months at schools we issued a second version of our common themes paper. This highlighted to all schools across Slough the issues identified during audits in Slough and across our wider client base. The paper also highlighted the impact and potential solutions that schools could implement to avoid future issues arising.

We have assisted in the development of a training schedule to be provided to employees at Slough Borough Council on procurement. We will also be facilitating the Council with training in this area.

Given a common theme within a number of audit reports has been contract management arrangements we have attended a meeting with the Strategic Director, Customer and Community Services and Interim Assistant Director, Commissioning & Procurement where we have explored potential ways in which Baker Tilly may be able to assist the Council in its development of Contract Management.

Internal Audit Plan 2013/14 – Change Control:

Two additional proposed changes that have been made to the Internal Audit plan since those which were highlighted to the previous Audit & Risk Committee are:

Action	Date	Agreed By
The Troubled Families Audit has been postponed until April 2014 due to the Council not being in a position to provide details to central Government and therefore an audit of the returns made was not possible when originally planned.	January 2014	Internal Audit and Joseph Holmes, Assistant Director, Finance & Audit
The Safeguarding Adult Social Operating Model Review has been postponed until 2014/15 due to the Council having delayed the implementation of the new model. The scope of the review is determine progress made following its introduction and therefore this has been postponed until Q3 of 2014/15 to allow sufficient data to be available to enable a comparison.	February 2014	Assistant Director, Adult Social Care

Information and Briefings:

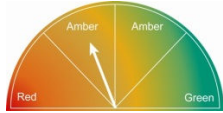
We have issued the following updates electronically since the last Audit and Risk Committee:

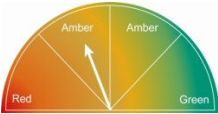
- LGE Update LG eUpdate December 2013
- LGE Update LG eUpdate January 2014

Key Findings from Internal Audit

2013/14 Internal Audit Plan

This key findings section highlights those reports finalised where an Amber Red or Red Opinion was provided and any high risk recommendations within these reports.

Assignment: Children's Services Procurement (4.13/14)		Opinion: Amber Red	
<p>Design of control framework</p> <p>We found the following one high risk weaknesses in relation to the design of the controls:</p> <ul style="list-style-type: none"> The Financial Procedure Rules lacked clarity on the exemption process for the individual placement of children. Although this was listed as an exemption, it did not specifically outline whether an Exemption Business Case and approval for the exemption was required by members of the Procurement Review Board or relevant Strategic Directors as was stated for other listed exemptions. Without the requirement for a review from officers from a legal, procurement and monitoring perspective the Council could potentially be failing to achieve value for money and the Council are also failing to adopt a consistent and open approach to the exemption from tendering protocol across the organisation. The Wellbeing directorate understood the rules to imply that no Exemption Business Case was required, whereas the Assistant Director, Commissioning, Procurement & Shared Services believed all listed exemptions required an Exemption Business Case. (High – given that this recommendation was not solely related to the Children's Service department it did not fully impact on the assurance opinion within this review) <p>Application of and compliance with control framework</p> <p>We found that two of the controls identified above were not adequately complied with which resulted in one high categorised recommendation:</p> <ul style="list-style-type: none"> Sample testing of 20 placements between April 2012 and February 2013 identified that Contract Placement Approval Forms had not been completed in a timely manner (average timeframe 68 days) and did not capture the authorisation details received at the time of the placement and whether any alternative providers were available. Without recording these details the Council cannot demonstrate whether placements are appropriate for the needs of the child or represent value for money if sufficient details of the placement are not captured. The timeliness of the completion of the form could result in excessive costs being incurred for a greater period of time if the most appropriate placement has not been made. However, it is recognised that a mechanism is in place through the review conducted by the Independent Reviewing Officer of all new placements. (High) 			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>Rec 1:</p> <p>The Council should review their Financial Procedure Rules to ensure a consistent and appropriate approach is required for exemptions from formal tendering. This should outline the level of senior management review required of proposed exemptions.</p>	Agreed	End of April 2014	Joseph Holmes, Assistant Director, Finance & Audit
<p>Rec 4a:</p> <p>The Contract Placement Approval Form should be completed in a timely manner and during completion the Contract & Commissioning Manager should verify approval for the placement recorded on ICS. The design of the form should be enhanced to require:</p> <ul style="list-style-type: none"> The authorising officer to initiate the form where placements are made 	<p>Timeliness of completion of form should improve with current restructure.</p> <p>The form will be enhanced for the first bullet point, a tick box section will be added to the form to incorporate the requirements of the second bullet point and</p>	End of March 2014	David Banham, Contracts & Commissioning Manager

<p>that are non-planned and that this approval is recorded on the form; and</p> <ul style="list-style-type: none"> Justification to be recorded in each instance where fewer than three quotes are obtained. 	<p>further investigation is required to consider the final bullet point (see comments above)</p>		
<p>Assignment: Budget Setting (18.13/14)</p>		<p>Opinion: Amber Red</p>	
<p>Design of the control framework</p> <p>We did not identify any weaknesses in the design of the Budget Setting control framework.</p> <p>Application of and compliance with control framework</p> <p>We identified the following weaknesses in the application and compliance of the control framework described above which resulted in two high priority recommendations:</p> <ul style="list-style-type: none"> Three instances from a sample of five were noted where there were discrepancies between the savings schemes on the savings plan and the savings bids available. If there is no supporting documentation that clearly describes how savings are to be generated and what impact this will have on the service provision of the Council, management may not provide adequate challenge and scrutiny to unrealistic savings bids and therefore the Council may fail to meet the required savings to continue to deliver its strategic objectives. (High) The assumptions utilised to set the 2013/14 budget were incorrect in relation to the savings attributed to the phase one outsourcing contract of transactional services. Specifically, in September 2013 the Overview & Scrutiny Committee were made aware of that the £1m savings included in the budget were not going to be realised and that an adjustment of £2.7m was required to take account of the savings not being delivered and to ensure the contract could be funded to the agreed position.. If inappropriate assumptions are utilised in calculating the budget the Council could fail to achieve their financial strategy. (High) 			
<p>High Risk Recommendation(s):</p>	<p>Management Response</p>	<p>Date</p>	<p>Responsible Officer</p>
<p>Rec 1a</p> <p>The Council should ensure that all savings schemes on the savings budget are supported by savings bids on the relevant templates. These should include:</p> <ul style="list-style-type: none"> a clear description of savings to be made, the impact of savings on the service provision, the proposed value of the saving and; appropriate supporting documentation. 	<p>The 2014-15 and beyond savings proforma has the following headings:</p> <ul style="list-style-type: none"> service lead (i.e. accountability) amount year description delivery (how) impact risk type EIA / consultation required 	<p>Already implemented</p>	<p>Barry Stratfull, Finance Controller</p>
<p>Rec 3</p> <p>For revenue outsourced contract proposals that are of a value of £2m and above the Section 151 Officer should submit a report to cabinet that documents the evaluated costing of the contract compared to the existing provision to enable Cabinet to be assured that appropriate checks have been conducted on their costing.</p>	<p>Will implement for future contract & include in the budgetary rules</p>	<p>April 2014</p>	<p>Joseph Holmes, Assistant Director, Finance & Audit</p>

Appendix A – Summary Of Progress Against The Internal Audit Plan

2012/13 Plan (Drafts outstanding and those finalised since the December Audit & Risk Committee Meeting as at 12 February 2014)

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Customer & Community Services:					
Carbon Reduction Commitment Programme	Draft Report 7/5/13	ADVISORY	1	8	4
Schools:					
St Joseph's Catholic High School	Draft Report 23/5/13	AMBER GREEN	0	3	5

2013/14 Annual Plan (as at 12 February 2014)

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
Implementation of New Council Tax Support Rules (11.13/14)	FINAL ISSUED 31/7/13	GREEN	0	0	0
Blue Disabled Parking Badges (9.13/14)	FINAL ISSUED 19/8/13	GREEN	0	0	3
Trading Standards (15.13/14)	FINAL ISSUED 22/11/13	AMBER GREEN	0	2	0
Freedom of Information Act (31.13/14)	FINAL ISSUED 12/2/14	GREEN	0	0	2
Council Tax (27.13/14)	FINAL ISSUED 4/2/14	AMBER GREEN	0	2	2
Housing Benefits (28.13/14)	FINAL ISSUED 4/2/14	AMBER GREEN	0	2	2
Youth Service (29.13/14)	FINAL ISSUED 24/1/14	AMBER GREEN	0	4	2
Atkins Limited – Contract Management & Third Party Procurement	Revised Draft Issued 27/1/14	RED	2	5	0
Contract Management Arrangements – Amey Plc	Revised Draft Issued 13/12/13	RED	5	5	2
Use of Agency / Workforce planning	Draft Issued 6/1/14	AMBER RED	2	1	3
Contract Management – Revised Action Plan	Revised Draft Issued 27/1/14	POOR PROGRESS	4	4	0
Business Rates	Revised Draft Issued 4/2/14	AMBER GREEN	0	2	1
Arvato Performance Management	Audit in Progress				
Rent Accounts	Review Stage				
Payroll	Review Stage				
Procurement Follow Up	Audit starts: 31/3/14				
Wellbeing:					
Children's Service Procurement (4.13/14)	FINAL ISSUED 9/12/13	AMBER RED	2	2	1
Qualitative Monitoring & Block Nursing Contracts	Draft Issued 3/2/14	AMBER GREEN	1	2	2
Safeguarding Adult Social Operating Model Review	Audit Postponed until 2014/15				
Troubled Families Programme	Postponed to April 2014				
Chief Executive:					

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Health and Safety (1.13/14)	FINAL ISSUED 2/9/13	AMBER GREEN	0	3	3
Training and Development e-Learning (13.13/14)	FINAL ISSUED 27/11/13	RED	2	2	2
Project Management Support	Draft issued 17/12/13	ADVISORY	-		
Governance	Audit in Progress				
Resources, Housing & Regeneration:					
School's Financial Value Standard (SFVS) (8.13/14)	FINAL ISSUED 19/8/13	ADVISORY	0	9	1
Budget Setting including Cost Savings (18.13/14)	FINAL ISSUED 3/2/14	AMBER RED	2	2	3
Data Quality: Corporate Balanced Scorecard	Draft Report 8/11/13 Response received & queried 2/12/13	AMBER GREEN	0	2	3
Debtors & Cash Management	Revised Draft issued 11/2/14	AMBER GREEN	0	4	1
Creditors	Review stage				
General Ledger	Review Stage				
CAATs Testing on Payroll and Creditor systems	Audit in Progress				
Declaration of Interests	Audit in Progress				
Budgetary Control & Financial Reporting	Audit in Progress				
Capital Projects	Audit in Progress				
Risk Management	Audit starts: 18/2/14				
Treasury Management	Audit starts: 21/2/14				
Asset Register	Audit starts: 26/2/14				
VAT / Pensions	Audit starts: 3/3/14				
Schools:					
Cippenham Nursery School (2.13/14)	FINAL ISSUED 11/7/13	AMBER RED	0	5	3
Priory School (3.13/14)	FINAL ISSUED 5/11/13	AMBER GREEN	0	2	1
Lea Nursery School (6.13/14)	FINAL ISSUED 17/12/13	AMBER GREEN	0	2	4
Littledown School (7.13/14)	FINAL ISSUED 7/2/14	AMBER GREEN	0	2	1
Beechwood School (10.13/14)	FINAL ISSUED 1/8/13	GREEN	0	1	3
St Bernard's Catholic Grammar School (12.13/14)	FINAL ISSUED 29/1/14	AMBER GREEN	1	0	3
Montem Primary School (14.13/14)	FINAL ISSUED 17/10/13	RED	2	5	3
Baylis Court Nursery (16.13/14)	FINAL ISSUED 17/12/13	AMBER GREEN	0	3	4
Parlaunt Park Primary School (17.13/14)	FINAL ISSUED 25/10/13	RED	2	5	2
Wexham School (20.13/14)	FINAL ISSUED 29/11/13	AMBER GREEN	1	1	2
Foxborough School	Converted to an Academy	AMBER RED	0	5	4
Our Lady of Peace Catholic Junior School	Draft issued 22/11/13	AMBER RED	1	6	2
Slough Centre Nursery	Audit starts: 5/3/14				
St Ethelberts Catholic Primary School	Audit starts: 5/3/14				
Claycots School	Audit starts: 18/3/14				

Assignment Reports finalised since the last meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Pippins School	Audit starts: 24/3/14				

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Year ended 31 March 2013



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INTRODUCTION

THE PURPOSE OF THIS REPORT

This report summarises the issues arising from the certification of grant claims and returns for the financial year ended 31 March 2013.

We undertake grant claim and return certification as an agent of the Audit Commission, in accordance with the Certification Instructions issued (by the Commission) in consultation with the relevant grant paying bodies. Our work is undertaken in accordance with the Statement of Responsibilities issued by the Audit Commission.

After completion of the audit procedures specified within the Certification Instruction, the grant claim or return can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified based on the audit work completed. Sample sizes used in the work on the housing and council tax benefit subsidy claim and the methodology for the certification of all grant claims are prescribed by the Audit Commission.

A summary of the fees charged for certification work for the year ended 31 March 2013 is shown to the right.

Appendix I of this report shows the Council's progress against the action plan included in the predecessor auditor's Grant Claims and Returns Certification report (presented to the Audit and Risk Committee in November 2012). Appendix II contains an action plan and recommendations made following our audit of claims and returns for the period ended 31 March 2013.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance provided during the course of our certification work.

FEEES PLANNED SCALE FEE (£) OUTTURN FEE (£)

Housing and council tax benefit subsidy	15,870	TBA *
National non domestic rates return	1,540	4,583
Pooling of housing capital receipts	310	1,929
Teachers' pensions return	1,440	3,440
TOTAL FEES	19,160	36,933

* To be advised - we are in the process of agreeing the final fee with management and the Audit Commission

The outturn fee is higher than the planned scale fee for the following reasons:

- a significantly higher level of work was carried out on the housing and council tax benefits subsidy claim compared to the prior year. Our audit found a number of errors that the Council's transactional services provider made in administering benefit and calculating subsidy entitlement in 2012/13, which resulted in additional audit testing and the review of work undertaken by management
- the high risk attached to the national non domestic rates return due to weaknesses in arrangements for identifying rateable values and awarding relief identified by Internal Audit at the planning stage. In addition, our audit of charitable reliefs identified errors which resulted in additional audit testing and a qualification letter
- the additional work carried out on the pooling of capital receipts return as there was a £1.6 million increase in total housing capital receipts in 2012/13 compared to the prior year. In addition, we experienced some difficulty in agreeing working papers to the return and ensuring consistency with the 2012/13 financial statements
- the increase in the level of work carried out on the teacher's pensions return compared to the prior year. The additional work was required based on our assessment of risk.

KEY FINDINGS

Summary of high level findings

CLAIM OR RETURN	FINAL VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS (£)
Housing and council tax benefit subsidy	83,959,514	Yes	Yes	971
National non-domestic rates return	86,019,687	Yes	Yes	(832,448)
Pooled housing capital receipts	3,969,788	No	No	0
Teachers' pensions return	6,119,710	No	Yes	0

The housing and council tax benefit subsidies claim was certified with an extensive qualification letter. Management has informed us that it is discussing with the Government department (the Department for Work and Pensions - DWP) that £220,000 is due to be recovered from Slough's future subsidy entitlement as a result of our qualification of the claim.

Detailed Findings

Below are details of each grant claim and return subject to certification by BDO for the period ended 31 March 2013. Where our work identified matters which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

Housing and council tax benefit subsidy

Local authorities responsible for managing housing benefit and council tax benefit schemes are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to audit certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A. The methodology and sample sizes are prescribed by the Audit Commission and the Department for Work and Pensions. We have no discretion over how this methodology is applied.

Findings and impact on claim

Our audit of 80 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement. The errors mainly involved the incorrect recording of information (such as the amount of claimant income; classification of expenditure and benefit overpayments). The Council is currently discussing with the DWP its assessment of the relevant claimant's income we identified as an error. The Audit Commission requires that where errors are not considered to be 'isolated', an additional sample should be drawn and reviewed by the Council. We then review such work and the impact of the error is quantified by extrapolating the test results. Accordingly, the Council reviewed over 400 additional cases covering 11 areas ('cells') of the claim.

The Audit Commission requires auditors to re-perform a sample of the additional work undertaken by the Council to ensure conclusions have been satisfactorily recorded. However, our work found we could not rely on the conclusions drawn by the Council in five of the 11 areas reviewed. We therefore completed a review of all work completed by the Council for these five areas and which covered all types of benefit awarded.

Our work was completed and the claim was certified before the Government's deadline of 30 November 2013. Our audit certificate was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy in a letter to the Department of Work and Pensions (DWP). Our qualification letter covered all of the benefit types awarded by the Council, as summarised below:

- differences in the year-end reconciliations of benefit granted to benefit paid
- an estimated overstatement of council tax expenditure attracting full rate subsidy at cell 144 (£165,000) with a corresponding understatement of technical excess council tax benefit paid (cell 149)
- an estimated overstatement of eligible excess council tax benefit paid at cell 148 (£43,000) with a corresponding understatement of cell 149 (Technical excess benefit: £36,000) and cell 147 (local authority benefit error: £6,000)
- an estimated overstatement of council tax local authority error benefit at cell 147 (£12,000) and a corresponding understatement of cell 149 (Technical excess benefit: £8,000) and cell 148 (eligible excess council tax benefit: £4,000)
- an estimated overstatement of HRA rent rebate overpayments at cell 047 (£44,000) and a corresponding understatement of cell 055 (rent rebates expenditure: £40,000) and cell 066 (technical overpayments: £4,000)
- an estimated understatement of local authority error overpayments at cell 113 (£78,000) and a corresponding over statement of cell 103 (Local Housing Allowance expenditure: £76,000) and cell 102 (expenditure on cases not requiring a referral to a rent officer: £2,000)
- an estimated overstatement of eligible rent rebate overpayments at cell 028 (£7,000) and a corresponding understatement of cell 026 (local authority error overpayments: £4,000) and cell 027 (technical overpayments: £3,000)
- a further five extrapolations were required to non-HRA rent rebates expenditure (cell 11) because of the misclassification of benefit expenditure between:
 - local housing allowance (cell 014: overstated £187,000)
 - total extended payments of non-HRA rent rebates (cell 022: overstated £1,000)
 - extended payments (cell 023 non-HRA expenditure attracting full rate subsidy: overstated £167,000)

- local authority error (cell 026 non-HRA rent rebate local authority error: overstated £3,000)
- eligible overpayments (cell 028) expenditure attracting full rate subsidy: overstated £9,000).

We were able to undertake sufficient testing to recommend the following cells were adjusted:

Cell	Draft claim £	Adjustment £	Final claim £
Cell 011: Rent Rebates (tenants of non-HRA properties): Total expenditure (benefit granted)	945,767	-32,167	913,600
Cell 014: NHRA - Short term leased and self-contained licensed accommodation where LA is landlord: Expenditure up to the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)	568,559	-41,430	527,129
Cell 015: NHRA - Short term leased and self-contained licensed accommodation where LA is landlord: Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)	971	-971	0
Cell 023: NHRA - Non-HRA rent rebate expenditure attracting full-rate subsidy which is included in Cell 011 but not otherwise separately identified in this section	339,418	10,221	349,639
Cell 026: NHRA - Overpaid (non-HRA) rent rebates (Current Year) - LA error and administrative delay overpayments	5,430	13	5,443
Cell 055: Rent Rebates (tenants of HRA properties): Total expenditure (benefit granted)	18,564,110	32,180	18,596,290
Cell 061: RR - HRA rent rebate expenditure attracting full-rate subsidy which is included in Cell 055 but not otherwise separately identified in this section	18,210,270	32,180	18,242,459

Given the extent of errors found by our initial sample and the additional work undertaken by the Council, it is recommended the Council undertake a review of the quality of work completed by benefit operatives.

Management is discussing with the Government department (the DWP) the £220,000 of benefit that is due to be recovered from Slough's future subsidy entitlement as a result of the errors highlighted in our qualification letter.

Given the extent of additional testing necessary, the lack of reliance we could place on the additional sample work of the Council in certain areas and the detailed qualification letter we prepared to accompany our audit certificate, we have requested that the Audit Commission determine an additional fee for the audit of the housing and council tax benefits claim. We will provide the Audit and Risk Committee with details of the final fee for audit in due course.

National non-domestic rates return

The Council is a billing authority and as such is required, on an annual basis, to calculate its contribution to the centrally-administered non-domestic rates pool. The value of the contribution must be notified to the Secretary of State. This is done on form NNDR3, which is subject to certification.

Findings and impact on return

The return was amended for the following errors identified by our audit:

- the Council had incorrectly calculated the losses in collection at £4,384,585; this was decreased to £3,552,137 in the final return
- the Council had not disclosed the correct date for the latest information taken into account when calculating the contribution to the pool.

The Council completed a review of reliefs during 2013. The overall impact of these amendments was an increase of £832,448 in the contribution payable to the pool.

In addition, on consideration of the Council's review our audit found some organisations were inappropriately receiving charitable relief. Officers notified us that the external contractor, which has processed the Council's business rate transactions since 1 April 2012, had identified a total of six organisations which were receiving charitable relief when there was no such entitlement. Over the last six years, the total amount of charitable relief inappropriately awarded for all six organisations was £1,240,685, comprising:

- April 2012 to March 2013 - £320,811
- April 2008 to March 2012 - £919,874.

The return was not amended for this error and we issued a qualification letter to the Government Department.

The Government department considered the outcome of our qualification when it reduced the final amount of business rates due to the Council for the 2012/13 year (in December 2013). The Council has ceased the respective reliefs to the organisations affected by our qualification.

Pooling of housing capital receipts

Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received. The information in these returns is subject to certification on an annual basis.

Findings and impact on return

Our audit did not identify any issues and the return was certified without qualification or amendment. Additional audit work was required in the light of the increase in housing capital receipts compared to the previous year.

Teachers' pension fund

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCd, which the Council is required to submit to Teachers' Pensions. Form EOYCd is subject to certification.

Findings and impact on return

The return was amended for the following issues identified by our audit:

- incorrect positive and negative signs were used for the amount of short term pensions that the Council had paid out on behalf of Teachers' Pensions and refunds made in respect of previous years; although these amounts were correctly taken into account in calculating the overall balance owing to Teacher's Pensions
- underpayments of £78 were incorrectly disclosed as additional pension payments rather than refunds made
- a number of items were misclassified between additional pension payments and additional contributions.

These amendments were purely presentational and did not impact on the overall balance owing to Teachers' Pensions.

The return was certified without qualification.

APPENDICES

APPENDIX I: STATUS OF 2011/12 RECOMMENDATIONS

RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	PROGRESS
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit.	High	To build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis.	Assistant Director of Finance	Immediate	Given the relatively low number of claims now requiring audit certification, we suggest this action should be integrated into the forward work programme of the finance team.
Claims and returns should be centrally monitored to ensure compliance with grant conditions, deadlines and quality standards.	High	To build these into the complete list of audit (internal and external) actions which will then be reported to the Audit and Risk committee on a quarterly basis	Assistant Director of Finance	Immediate	Given the relatively low number of claims now requiring audit certification, we suggest this action should be integrated into the forward work programme of the finance team.

APPENDIX II: 2012/13 ACTION PLAN

HOUSING AND COUNCIL TAX BENEFIT SUBSIDY					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Our audit found a high number of errors in the administration of benefit by the Council's transactional services provider.	The Council should undertake a review of the issues raised in our qualification letter and ensure the necessary action is taken to ensure these do not recur.	High	A review of all the issues raised in the qualification letter has already started and the aim is to have reviewed and where necessary corrected relevant areas before the 2013/14 claim is submitted.	SBC transactional services client team / SBC transactional services provider	March 2014

POOLING HOUSING CAPITAL RECEIPTS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
We experienced some difficulty in agreeing working papers to the return and ensuring consistency with the 2012/13 financial statements.	Management should ensure that all entries in the return are fully reconciled in supporting working papers and that they agree to the working statements prepared for the financial audit.	Medium	A review of the 2012.13 Pooling Working papers has commenced with the objective that that in future working papers can more easily be reconciled to the Statement of Accounts. The 2013.14 working papers will be compiled by the Principal Accountant for Capital and Treasury and reviewed for compliance with the recommendation by the Financial Controller."	Principal Accountant, Capital & Treasury	June 2014

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0033	Failure to deliver services at agreed cost/specification/quality	The risks can be broadly divided into four Demand Design Construction Finance	Reputational Risk in respect of failure to deliver key sites Risk of significant loss of money SRP unable to bring projects in on time leading to ineffective use of Council assets. Buildind costs make SRP project economically unviable Poor design leads to aick of regeneration and poor value for money	16 - Very High	A detailed business case including joint risk register has been created. Business Plan approved by each year by Cabinet Curve Steering board	12 - High	<p>Consider batching of sites in smaller parcels to reduce risk</p> <p>Sarah Richards</p> <p>Performance management monitoring procedures to ensure regeneration investments is sustainable into the future</p> <p>Sarah Richards</p> <p>Preparation of a robust land assembly strategy</p> <p>Sarah Richards</p> <p>Rigorous viability assessment of potential developments</p> <p>Sarah Richards</p> <p>Structure solution to negate the need for external funding</p> <p>Sarah Richards</p> <p>Site Development Plans</p> <p>Joseph Holmes 31/03/2014</p> <p>Discussion with Planning and Building Control</p> <p>Sarah Richards</p> <p>Ensure best value through external validations</p> <p>Joseph Holmes 31/03/2014</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0021	Economic climate	National Government's continued sustained reduction in public sector expenditure via Spending Review Government's funding of policy changes towards Adult Social Care and Local Economic Partnerships Government's welfare reform programme Government's reforms to Business rate retention	Continued reduction to the Council's budget leaving to increased levels of service reductions and organisational wide transformation The requirement for balanced corporate strategy that seeks to address the needs of vulnerable individuals whilst ensuring appropriate levels of service provision for the universal services Impact on Council Tax collection rates and / or higher take up of Council Tax Support leading to in year budget pressures Impact on achieving levels of fees and charges Reduced income due to Businesses moving away from Slough / increased level of demolitions of business buildings In year overspend leading to depletion of Council reserves and / or an increase to Council Tax the following year	20 - Very High	Requirement to set a balanced budget Regular reports to senior officers and members on the Medium Term Financial Strategy (MTFS) progress Regular in year budget monitoring to forecast the impact on general reserves Creation a 'financial volatility reserve' to buffer the impact of reduced Business Rate / CTX income or to re-profile savings programmes Ensuring that General Fund reserves are at least the minimum level set by the s151 officer	15 - Very High	Balanced MTFS with identified savings areas over the life of the strategy Joseph Holmes Transformation Programmes for services to reduce costs and improve service delivery Joseph Holmes Regular collection rates and income monitoring Joseph Holmes	10 - High

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0024	Failure to Manage Service Disruption	<p>There was an issue around the lack of Business Continuity Plans. These plans and the management of these plans are required to ensure that in the event of an "emergency", that the council and it's suppliers maintains at least a minimum of service.</p> <p>A Business Continuity Working Group has been set up and the business critical services have been identified.</p> <p>The Business Continuity Plans have been submitted to CMT and approved</p>	<p>The lack of a robust business continuity plan that has been communicated to all that are involved could mean that in the event of an unexpected incident the Council or it's contractors are unable to provide the required services. this would result in negative publicity and possibly put vulnerable service users at risk</p>	12 - High	<p>Business Continuity Plans have been submitted to CMT for approval.</p> <p>A Business Continuity Working group has been set up with representatives of all departments. This group is used to inform the plans and will continue to meet to update the plans as and when required.</p> <p>Ensure that Avarto have Disaster Recovery and Business Continuity Plans that support our own plans and ensure that SBC services can be delivered</p> <p>All BIA's have been reviewed.</p> <p>Key service criteria been established for IT and accommodation, key suppliers identified</p> <p>We have shared our plans with Avarto</p>	6 - Medium		6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0031	Not being able to respond to demographic change	<p>Demographic Change</p> <p>Many factors may affect the population of Slough and generally this leads to an increase in the resident population.</p> <p>An increase in the population puts pressure on the vast majority of the services offered by the Council:</p>	<p>Housing: increase in demand for housing including temporary housing, and increases pressure on those regulating Housing standards</p> <p>Benefits: There are more people claiming benefits via the Council</p> <p>Education: An increase in population may have the affect of skewing the estimates of population made and therefore leading to a short fall in school place.</p> <p>Waste Disposal: An increasing population leads to more demand for waste disposal</p>	9 - High		9 - High	<p>Creation of Free schools Jane Wood</p> <p>Waste Strategy Nick Hannon 29/08/2014</p>	3 - Low

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0034	Loss of IT / Communication facilities	<p>Delivery of an ICT function that is robust and has the capacity to meet the needs of the organisation.</p> <p>There is a staff /skills capacity issue which is affecting the section's ability to respond to the Council's Transformation and Change agenda and it's ability to deliver the ongoing IT programme of work.</p> <p>A full Disaster Recovery Plan is required for the Council's IT systems.</p> <p>There are a number of bespoke IT systems that require specialist niche skills to support and that are unable/costly to interface with each other.</p> <p>The Council's SAN is approaching full capacity due to an extraordinary growth in storage of data. The Council needs to procure a new SAN in order to cope with future demand. The Council's capacity to rollout DIP in support of the Accommodation Strategy is diminished due to this lack of storage space.</p>	<p>Information Commissioner will criticise and possibly impose fine increased vulnerability to staff and clients damage to reputation</p>	16 - Very High	<p>Council policies to be finalised and distributed to staff after approval from Info Governance Board.</p> <p>Mandatory Information Security E-Learning module to be completed by all staff (SBC & Arvato) and Members - With annual refresher)</p> <p>It infurstructure improvement plan in place. Arvato responsibility to upgrade systems and server network. Governance board established monthly meeting to be held to review progress.</p> <p>Procurement process initiated. In process of evaluating tenders. Arvato looking to provide interim solution.</p> <p>The IT Strategy (incorporating IT Governance) was approved by CMT and published on July 18th. Bid for additional fixed-term resource to tide over period of high transformational activity IT Governance Board to review and prioritise and control the size of the program</p>	8 - Medium	<p>Council policies to be finalised and distributed to staff after approval from Info Governance Board.</p> <p>Roger Parkin 31/03/2014</p> <p>SAN to be commissioned</p> <p>Roger Parkin 31/03/2014</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0035	Services Failure - Safeguarding	<p>Serious safeguarding, public protection or other failure.</p> <p>Adult Safeguarding Board is going through a period of development in order for it to provide a strong governance for Safeguarding in Slough and in preparation for the incoming (draft) Care and Support Bill in which Statutory Partners will have a duty to co-operate.</p> <p>In order to deliver effective safeguarding, agencies need to work within a context of agreed policies, procedures and practice and share information which informs the quality of care provision in Slough.</p>	Serious failure in safeguarding has a devastating effect on the individual and the community and undermines organisational credibility	12 - High	<p>Transfer responsibility for delivery of service to Arvato ensuring required service is fully defined and KPIs set to measure performance.</p> <p>ICT Service specification 95% complete</p> <p>KPIs defined</p> <p>Financial info shared awaiting for Arvato for first costed proposal 24th May 2013</p>	8 - Medium	<p>Safeguarding Action Plan</p> <p>Alan Sinclair 31/10/2014</p>	8 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0037	Government policy/legislation changes	The Government has introduced a raft of Welfare Reforms including universal credit, limiting benefit paid to allow for one bedroom per person in a household	<p>The current welfare reforms could lead to increased levels of poverty and debt amongst those claiming benefits tempting hard pressed families to go "loan-sharks" increasing the spiral of poverty it could also lead to increased levels of Housing Rent debt as benefit is paid to the claimant rather than the landlord.</p> <p>The reforms may also lead to London Borough's placing homeless people in Slough, thus reducing the capacity for Slough's own homeless persons, an increase in bed and Breakfast accommodation costs, and overcrowding in cheaper but smaller properties.</p> <p>There is thought to be an increased risk of fraud with the introduction of the universal credit IT system</p> <p>Increased pressure on the Welfare Rights section.</p>	16 - Very High	Proactive measure by Welfare Unit	12 - High		12 - High

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0038	Services Failure - Safeguarding	<p>2011 OFSTED report found Council inadequate for Safeguarding - subject to a formal improvement notice from the Minister.</p> <p>The Council has an Improvement Plan that requires the council to demonstrate significant progress against the plan.</p> <p>Further OFSTED in 2013. Draft report issued in Jan 2014 awaiting management response</p> <p>There is a need to improve the risk identification process, and to ensure that staff are trained on how to use the risk identification process.</p>	<p>This would be a significant reputational issue</p> <p>The failure to correctly identify and the risks could lead to either an over or under intervention</p>	16 - Very High	<p>There is an improvement plan where progress is monitored by the minister</p> <p>Additional Resources were identified to strengthen management arrangements and increase capacity within the Service.</p> <p>There is a new management team in place led by a new Asst. Director. New structure and revised roles for key posts have been agreed and are being implemented. there is also external recruitment to key roles.</p> <p>Local Safeguarding Board Children's Young Person Partnership</p>	9 - High	<p>Response to 2013 Inspection report including corrective actions</p> <p>Jane Wood 28/02/2014</p> <p>Budget made available to increase number of professional staff</p> <p>Kitty Ferris 31/03/2014</p> <p>Revise and strengthen approach to risk assessment</p> <p>Kitty Ferris</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
ORG0039	Contract Management	<p>Internal audits completed in 2013 identified that there are weaknesses in the Councils contract management arrangements. As a result some contracts are not adequately performance managed</p> <p>The latest internal audits on Procurement have been RED</p> <p>Copies of contracts are not always available and are not kept in a central repository. The system for amending contractor details or recording contractual changes is not sufficiently robust</p>	<p>Contractors/contracts are not monitored effectively. Contracts can not always demonstrate that they deliver Value for Money</p> <p>Copies of contracts mislaid and unable to be referred to in the event of a dispute with the contractor</p>	16 - Very High	<p>Action plans have been published for the audits and have recommendations for action .</p> <p>These have been allocated and assigned to the relevant Assistant Directors i.e. Arney – Neil Aves</p> <p>There are further action plans for Atkins which requires immediate attention</p> <p>Arvato currently have a procedure in place for dealing with supplier request to change bank details.</p> <p>Enhance the Procurement Business Case form to act as a mechanism to capture key details</p>	16 - Very High	<p>A procedure should be established to include guidance on assessing the risk related to contracts</p> <p>Julie Pickering 30/09/2014</p> <p>Those contracts defined as 'most strategic' should have stringent procedures defined to enable the contracts to be effectively m</p> <p>Julie Pickering 30/09/2014</p> <p>Training has already commenced and needs to continue</p> <p>Julie Pickering 30/06/2014</p> <p>The Council should prioritise the implementation of information gathering for its major contracts</p> <p>Julie Pickering 30/06/2014</p> <p>Legal Services should then be responsible for holding all original contracts and providing an electronic version to those charge</p> <p>Amardip Healy 31/03/2014</p> <p>The draft Procurement Operating Procedures should be updated to reflect the process adopted for a request to a change to supply</p> <p>Alan Spratt 31/03/2014</p> <p>Finalise Atkins Contract management audit</p> <p>Savio DeCruz 28/02/2014</p>	6 - Medium

Risk Ref	Nature of Risk	Cause	Effect	Initial Risk Rating	Control	Current Risk Rating	Action	Target Risk Rating
							<p>The Council should run reports from their finance system on new suppliers</p> <p>Joseph Holmes 30/06/2014</p> <p>Finalise Amey contract management audit and confirm corrective actions and time scales</p> <p>Neil Aves 28/02/2014</p>	

SLOUGH BOROUGH COUNCIL

REPORT TO: Audit & Risk Committee **DATE:** 13th March 2014
CONTACT OFFICER: Barry Stratfull, Corporate Financial Controller; Deputy s151 Officer
(For all enquiries) (01753) 87 5358
WARD(S): All

PART I
FOR DECISION

2013-14 Financial Statements

1 Purpose of Report

To provide members of the Audit & Risk Committee with an overview of the closedown process for the 2013-14 financial year, and to provide members with an update on the external auditor's recommendations from the 2012-13 financial year's audit.

To assist in the closedown of the financial statements, the Council is requesting to members to approve the accounting policies and the prior year comparators to the 2013/14 financial statements. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

2 Recommendation

That Members comment on and approve the Statement of Accounting Policies for the 2013/14 financial year, and the 2013-14 priori year comparator financial statements.

3 The Sustainable Community Strategy, the JSNA and the Corporate Plan

3.1 Sustainable Community Strategy Priorities

The report indirectly supports all of the Community Strategy priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieve through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

3.2 Corporate Plan 2014/15

The report helps achieve the Corporate Plan objectives by detailing how the Council and Audit Committee can deliver good governance in Local Government.

4 Other Implications

4.1 Financial

The Financial implications are contained with this report.

4.2 Risk Management

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	none
Communications	None	none
Community Safety	None	None
Financial; Detailed in the report and above	As identified	None
Timetable for delivery;	Detailed in timescales in appendix C	Opportunity to deliver the financial statements for review before the statutory deadline
Project Capacity	None	None
Other	None	None

4.2.1 Human Rights Act and Other Legal Implications

None identified

4.2.2 Equalities Impact Assessment)

No identified need for the completion of an EIA.

Executive Report

5 Introduction and Background

5.1 The Council has been completing a fundamental review of how it produces its financial statements for the 2013-14 financial year.

5.2 External Audit reports over a number of years have highlighted that the accounts have been prepared late, with inadequate working papers, and this has led to a delay in the external auditor's opinion being issued in two of the past three financial years. The response in 2013-14 has been, with a new team overseeing the production of the financial statements, to review and revise the procedures in place to produce the financial statements. This has also been

informed through the learning points as a result of BDO's first year of external audit at the Council on the 2012-13 external audit.

- 5.3 This report includes the accounting policies that will form part of the 2013/14 statement of accounts. The full policies are shown in Appendix A. Members of the Audit committee are invited to make comment on these policies and approve them for inclusion in the draft statements.
- 5.4 Unless there are major changes to accounting rules and regulation, accounting policies do not change significantly between the years.
- 5.5 The draft statement of accounts for 2013/14 will be presented to the section 151 officer for approval. The accounting policies in appendix A will be included within the draft financial statements.

6 Preparations for the closure of the 2013-14 financial statements

- 6.1 The Council has put in place a number of actions to prepare for the closure of the 2013-14 financial statements. This is supported by a 'PID', and this and the high level summary are included within appendix B.
- 6.2 The finance section in the Council is committed to improving the processes and arrangements for producing the financial statements in 2013-14. This will provide greater assurance to members of the Risk & Audit Committee concerning the financial stewardship and accountability of the Council's financial affairs.
- 6.3 The Council has also been implementing the actions contained within the BDO's audit report to the audit & Risk Committee in October 2013, and this update has been included within appendix D.

7 Accounting Policies

- 7.1 The Statement of Recommended Practice for Local Authority Accounting defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves".
- 7.2 The application of accounting policies supports the implementation of the main accounting concepts of best practice. These ensure financial reports;
- are relevant - providing appropriate information on the stewardship of authority monies.
 - are reliable - financial information can be relied upon and without bias, error, within the bounds of materiality and has been prudently prepared.
 - allow comparability - the interpretation of financial reports is enhanced by being able to compare information across other accounting periods and other organisations.
 - are understandable - though financial reports have to contain certain information, they have to be understandable.

- Reflect material information - significant transactions must be incorporated in the financial reports.
- Prepared on a going concern basis (the assumption that the authority will continue in operational existence for the foreseeable future)
- Prepared on an accruals basis (accounts are prepared to reflect the benefit of goods and services received and provided rather than when cash transactions occur when invoices are paid in a later accounting period).

8 Contents of Accounting Policies

8.1 The appendix contains all of the Council's accounting policies. The more significant policies cover the treatment of the following:

8.2 **Fixed Assets** - the basis for valuing major long-term assets, such as council dwellings and offices is explained.

8.3 **Depreciation** - depreciation is charged to spread the value of an asset over its useful life. For example vehicles are depreciated over five years.

8.4 **Provisions and Reserves** - a provision is created because the Council will have to make a future payment to settle a financial obligation and a reasonable estimate can be made of the amount payable. A reserve is created for specific or general future purposes, for example the Housing Revenue Account (HRA) reserve is to be used for future HRA expenditure purposes.

8.5 **Accruals of Income and Expenditure** - The Council raise these to comply with the accruals concept of accounting to measure when payments or receipts are due rather than where cash is transferred to settle the amount due.

9 Changes in accounting policies for 2013/14

9.1 The Code of practice for 2013/14 sets out the additional disclosures that will be required in the 2013/14 financial statements in respect of accounting changes that are to be introduced. The Council must follow the requirements of International Accounting Standard 8 when selecting or changing accounting policies, adopting the accounting treatment and disclosing changes in accounting policies, estimation techniques and correcting errors.

9.2 There is a requirement to disclose expected impact of new standards. They will only result in a change in accounting policy if they are required by the code and will result in the financial statements providing reliable and more relevant information.

9.3 It is for the Council to decide which accounting policies are most appropriate to its particular circumstances. Best practice requires council's to regularly review the accounting policies adopted to ensure that they remain appropriate and give due weight to the impact of a change in accounting policy to ensure comparability between accounting periods.

9.4 There are no significant amendments proposed in the draft code of practice on local authority in the United Kingdom 2013/14. The proposed accounting policies for 2013/14 are similar to those of 2012/13 and are reflected in Appendix A.

10 External Audit Consultation

- 10.1 The Council's external auditors (BDO) will examine the accounting policies as part of their audit review. They will liaise with accountancy staff on any proposed changes to accounting regulations and where these impact on accounting policies. By approving these accounting policies it enables the external auditors to complete some of their audit work before the Council compiles the financial statements for 2013-14. Any changes will form part of the statement of accounts that will be presented to the September audit committee.

Appendices Attached

- 'A' - Accounting policies 2013/14
- 'B' - Closedown project update
- 'C' - n/a - purposefully left blank
- 'D' - Updated External audit action plan

Background Papers

CIPFA – Code of Practice on Local Authority Accounting

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SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where periodic income and expenditure invoices are raised or received during the year and relates to a complete financial year no accrual will be made provided the financial affect on the accounts does not change the financial position of the council.

ii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iii) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

iv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

APPENDIX A

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2014

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and
- The Berkshire Local Government Pensions Scheme, administered by Royal Borough of Windsor and Maidenhead.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme

- The liabilities of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate on the iBoxxAA rate over a 15 year corporate bond index at this date which has been chosen to meet the requirements of IAS19.

- The assets of the Berkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- o quoted securities – current bid price
- o unquoted securities – professional estimate
- o unlisted securities – current bid price
- o property – market value.

- The change in the net pensions liability is analysed into seven components:

- o current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- o past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- o interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- o expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- o gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- o actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- o contributions paid to the Berkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii) Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

viii) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ix) Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

xi) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

xiv) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xv) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease)

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2014

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCop). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SerCop and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

APPENDIX A

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2014

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – housing dwellings 50 years, operational buildings 1-35 years as determined by the valuer, car parks 60 years
- vehicles, plant and equipment – straight-line allocation over five years
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Component Accounting

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases or revaluations after 1 April 2010.

The Council's policy has defined a component as such part of an item of Property, Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the item, if the value of the component is 10% or more of the total gross carrying value of the building. The Council has also determined that any building with a gross carry amount of less than £1m, useful economic life of less than 15 years or both will not be considered for component accounting.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

xviii) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority

SLOUGH BOROUGH COUNCIL

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2014

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
 - finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

xx) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxi) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Appendix B

2013/14 Accounts closedown project

Progress Report to Audit and Risk Committee – 13th March 2014

Background

The council has a statutory obligation to sign off its annual accounts by 30 June each year and for its auditors to issue an audit letter to use by 30 September each year.

The council has previously found it difficult to close the annual financial statements effectively and on schedule in line with national and local timetables. The audit of the financial statements for 2010/11 and 2011/12 saw delays to the external auditors (then the Audit Commission) work due to concerns over the financial statements and other issues. And while the 2012/13 accounts were signed on time by the s151 officer, the new external auditors (BDO) finished late because of issues found in the 2011/12 accounts and previous year's accounts as well as a number of items from the 2012-13 accounts.

As a consequence the council now needs to improve its financial and performance literacy. It will do this by working closely with the auditors (BDO) (and others where appropriate) throughout the autumn/winter of 2013 to develop a project plan that ensures the delivery of an unqualified audit opinion of our statement of accounts for the 2013/14 year. This plan (see the attached draft) will clearly identify and articulate those processes and arrangements (at both a finance team, service area and third party provider level) that need to be put in place by the council (and others) to successfully produce accurate, timely, accessible and quality controlled statements of accounts for 2013/14 financial year, for sign off by the council's Section 151 officer by the beginning of June 2014.

The objectives of this project

To:

- Arrive at an accurate, timely and properly evidenced annual statement of account for the 2013/14 financial year in accordance with statutory, the auditors and the council's corporate requirements, with the resources currently available with the finance team, and achieving the right balance between economy, efficiency, accuracy and value for money. We will do this by:
 - Identifying the auditors and the council's list of requirements (in terms of data and supporting information) for the 2013/14 close down of accounts.
 - Evaluating whether the council has sufficient information and processes in place to satisfy these requirements for the 2013/14 year (and subsequent years thereafter).
 - Putting in place, where gaps are found in the data and the supporting information required, and new arrangements to gather this information quickly and efficiently without negatively impacting on the projects delivery timetable.
 - Quickly identifying and agreeing what service areas (and third party providers) need to provide to compile the 2013/14 accounts (i.e. what do we need, from whom, in what format and why and to what quality/standard, and most importantly, by what deadlines).
 - Identifying how the council can better collate, present and share all of the collected data and supporting information collected during the 2013/14 closedown, so that it is readily accessible and easily updated in future years,

- Identifying what other steps need to be taken to prepare the accounts each year going forward and developing procedures and policies to manage this, as and where required.
- Streamline, refine and improve the council's current financial processes for the annual compilation of these accounts, in accordance with industry standards.

Progress to Date

- A Project Inception Document (PID) has been developed to define how this project will be undertaken, what the products will be and broadly set out the future tasks needed to support the compilation of this and future years statements of account.

The Group has had 2 initial meetings and a 3rd is planned in February. Tasks completed, Items agreed and discussed are:

- Understanding the detailed requirements of the auditors and the ambitions and aspirations of the senior managers [and the Audit and Risk Committee] and consider how the finance team (and others) need to change current processes to better meet these expectations.
- Writing a requirements document to capture the specific data and supporting information requirements of the auditors (and others) in order to plan the detailed work packages of the project.
- Reviewing the effectiveness of the relationships and links that exist between the finance team, service areas and third party providers (and set down in service level agreements/contracts, where appropriate) to make recommendations on how these relationships/arrangements can be enhanced and strengthened.
- Reviewing the usability and accessibility of existing data and supporting information currently held to determine whether we have the right information in place to satisfy the auditors (and others) detailed requirements.
- Identifying what data and supporting information is currently missing and needs to be commissioned/captured and what is being collected unnecessarily so that it can be omitted and/or decommissioned.
- Analysing the data and supporting information currently collected to ensure that any in year changes to the way some services now operate have been properly taken account of in the way this information is presented.
- Identifying relevant best practise, innovation and research to inform the processes to be followed this year and each year thereafter.

The project to date has fulfilled its promise to interface with the following:

- Relevant finance staff
- Relevant staff from each service area
- Third party suppliers (avarto)
- external auditors

This progress report is the first step to interface with additional stakeholders

- Directors
- CMT
- Audit and Risk Committee Members
- Internal auditors

The Scope of the Project

Completed to date

Phase 1 - Planning the project [November 2013 – December 2013]

Stage 1 – Project initiation [November 2013 – December 2013]

- Establish Project team
- Define and assign Project team member roles and responsibilities
- Business Case development
- Project Inception document (PID) development
- Initial stakeholder assessment analysis
- Governance documentation
- List of deliverable/requirements
- Timetable
- Identify lead officers

Stage 2 - Learn lessons from 2012/13 (and previous years) [November 2013 – December 2013]

- Clarity over what can we quickly change in readiness for this years closedown - *Agreed at 1st Project team meeting*
- Separate quick wins from those that will take longer to achieve *Identify at 1st Project team meeting*

Stage 3 - Scope out 2013/14 requirements/work packages [November 2013 – December 2013]

Identify auditors' detailed requirements

- Clarify what standard/level of detail required by auditors including supporting information
- Assess whether these expectations are realistic and achievable

Identify gaps in our current processes

- Document
- Alert relevant staff (including third party providers)

Identify what we can stop doing as no longer required -

- Document
- Assess how time saved could be used to undertaken other financial activity
- Communicate to relevant staff (including third party providers)
- Re - allocate resource where appropriate
- Alert relevant staff (including third party providers)

Action Plan assignment [December 2013]

- Identify and assign work packages and responsibility to lead officers and key staff (including third party providers (informed by all of the above))
- Set deadlines for completion
- Additional Resources to specifically look at BDO action plan tasks around asset management and asset reconciliations

Proposed and Ongoing Tasks

Monitor delivery of each work packages to agreed timetable(s) January 2014 – March 2014]

- Manage/oversee delivery of each work package with lead officer(s)
- Provide regular progress reports on each work package to PM, PS and PE, Project team and Programme Board [Audit and Risk Committee]
- Quality control/double check data and supporting information for accuracy/appropriateness/completeness in accordance with Auditors detailed requirements
- Amend where necessary with support for lead officer responsible for each work package
- Sign off each work package with lead officer on successful completion

Quality control and testing [April 2014]

- Assemble/compile accounts and supporting information
- Independently test/quality control to ensure accuracy and compliance with the auditors and councils detailed requirements
- Amend where necessary with relevant lead officer(s)

Delivery [May 2014 – June 2014]

- Secure sign off by section 151 officer by 20 June 2014
- Secure sign off by project board, programme board and Audit and Risk committee
- Communicate results to public and stakeholders
- Store data and supporting information in an easily accessible format for use in future years

Lessons learnt [July 2014 – October 2014]

- Undertake a lessons learnt review of 2013/14 process to inform and plan for 2014/15 close down of accounts
- Undertake an evidence-based review of the 2013/14 accounts closedown process in order to examine whether the project achieved economy, effectiveness and efficiency in the use of public funds.
- Communicate lessons learnt and value for money reviews to staff, lead officers, stakeholders, third party providers, Project Board, Programme Board, Audit and Risk Committee
- Use information from both reviews to prepare for 2014/15 closure of accounts timetable

SLOUGH BOROUGH COUNCIL

REPORT TO THE AUDIT AND RISK COMMITTEE

Audit for the year ended 31 March 2013

APPENDIX D

APPENDIX V: ACTION PLAN

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Working papers</p> <p>Our audit found a number of shortcomings in the format, quality and timeliness of the working papers provided to support balances and disclosures in the draft financial statements.</p>	<p>Management should carry out a detailed review of its 2012/13 closedown process to identify how improvements can be made.</p> <p>This should include a critical evaluation of working papers against audit requirements. BDO will assist in this process to ensure that our requirements continue to be appropriately tailored to the Council and fully understood by all relevant staff.</p>	High	<p>The Council is putting in place a fundamental review of its closedown procedures for the 2013/14 financial year. This will ensure that there is a named officer and reviewer for each working paper and there is appropriate time to allow for effective critical review of the financial statements</p> <p>The BDO working paper request will be reviewed and will form a core part of the closedown process.</p>	Assistant Director, Finance & Audit	March 2014
<p>Related party disclosures</p> <p>Our audit found that £90,000 paid to the Thames Valley Athletics Centre and £38,000 paid to the Slough Museum were not disclosed in the related parties note in the draft financial statements. Councillors correctly declared that they are Directors of these organisations.</p>	<p>As part of the accounts closedown processes, finance officers should review the general ledger for any transactions with entities with whom officers and Councillors have declared interests. The value of the transactions should be considered from the viewpoint of both the Council and the related party in deciding whether or not the transactions should be disclosed in the related parties note.</p>	Medium	<p>Review of matching Related Party Transactions to the finance system to take place as part of the closedown procedures for 2013/14.</p>	Corporate financial controller	March 2014
<p>Property valuations</p> <p>The evidence retained by management to support its assessment that the carrying values of land and buildings not independently revalued in year is materially accurate when compared to fair value is limited.</p>	<p>Management should more fully document its thought process and evidence to support the representation that the carrying values of all assets remain materially accurate as fair value at year end.</p>	Medium	<p>Assets are regularly revalued where the UEL are reviewed. An impairment review is prepared from the valuers and consideration is given as to the UEL of assets in the report. A review will be undertaken and reports generated in line with Code requirements</p> <p>The depreciation of the leased assets will be amended.</p>	Corporate Financial Controller	March 2014

APPENDIX D

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Depreciation of non-current assets : Useful economic lives</p> <p>(a) Management has stated that it has undertaken an informal year end review of useful lives and depreciation methods and that the existing assumptions remain appropriate. However, the evidence retained by management to support the review is limited.</p> <p>(b) Our review of the fixed asset register identified a number of depreciable assets (12 operational and 21 non-operational assets) that have not been depreciated.</p> <p>(c) Our audit testing found that the Council is applying incorrect useful economic lives for leased assets in calculating the depreciation charge for the year as it is based on the expected life of the asset irrespective of the life of the lease. Accounting standards require that leased assets are depreciated over the shorter of the life of the lease or the expected life of the asset. The Council's approach means that depreciation on these assets is understated.</p>	<p>(a) Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets.</p> <p>(b) The fixed assets register should be updated to ensure that all assets are appropriately depreciated in accordance with the Code requirements.</p> <p>(c) The fixed assets register should be updated to ensure that leased assets are being depreciated over the shorter of the lease life or the expected life of the asset.</p>	Medium	The Council will undertake a review of the fixed asset register and the depreciation periods utilised as part of Closedown review for 2013-14.	Corporate Financial Controller	March 2014
<p>Periodic income and expenditure</p> <p>The Council does not raise accruals or recognise deferred income at year end for periodic income not yet billed or received in advance. Similarly, it does not raise accruals for periodic expenditure items not yet billed, such as utility bills. The Council's approach is on the basis that invoices are raised in the same way each year and therefore there is a full 12 months of income or expenditure in the general ledger. This approach is only acceptable where there are no significant fluctuations in income and expenditure between financial years.</p>	<p>Management should review the Council's approach to periodic income and expenditure at year end to ensure that it does not result in a material misstatement of income for the year.</p>	Medium	The policy of how the Council accounts for periodic income and expenditure is being reviewed to ensure that income is not materially misstated. This will be picked up in closure of accounts briefings and procedure notes and will be incorporated in meetings with the external auditor during closure planning.	Corporate Financial Controller	December 2013 / January 2014

APPENDIX D

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Accrual for special education needs</p> <p>The Council identified a creditor accrual of £994,000 at 31 March 2013 for expected amounts payable for special education needs, where children have attended schools outside the borough. Whilst the amount is not material, we have noted that the accrual is based on budget and the same cost had been accrued for in prior year.</p> <p>We are therefore unable to assess whether the accrual is reasonable.</p>	<p>Management should ensure that the year end accrual for out-of-borough special education need placements is estimated by taking account of the actual number of placements and the expected cost for each; in the light of the accuracy of the prior year accrual.</p>	<p>Medium</p>	<p>Going forward, this accrual will not be required as the recoupment budget has been removed from Councils and transferred to Schools.</p>	<p>n/a</p>	<p>n/a</p>
<p>HRA share of corporate and democratic core costs</p> <p>The Council has allocated £205,000 of its corporate and democratic core costs to the HRA, which is consistent with prior years. There is no working paper to support this amount; it is based on a budget that is rolled forward each year.</p>	<p>The Council should review its recharges and recalculate the HRA share of corporate and democratic core costs on an appropriate basis. This calculation should be reviewed regularly.</p>	<p>Low</p>	<p>The Council is undertaking a review of charges made to and from the HRA in the Autumn 2013.</p>	<p>Finance Manager; CCS / RHR</p>	<p>December 2013</p>

APPENDIX D

INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Fixed assets register</p> <p>Internal Audit has identified a number of weaknesses in the Council's arrangements for maintaining the fixed assets register:</p> <ul style="list-style-type: none"> the Council does not undertake asset reconciliations between systems to confirm accuracy of data held within the Asset Register or the Land Terrier/Land Registry. assets that have been disposed of are not always removed from the fixed assets register. <p>Our audit also identified a high level of fully depreciated assets in the fixed assets register. In addition, our audit work identified a number of assets that are still registered in the name of Berkshire County Council, although it is clear these assets belong to the Council.</p> <p>Property, plant and equipment balances could be overstated if assets that are no longer owned or in use by the Council continue to be held in the fixed assets register.</p>	<p>Management should ensure that the following recommendations raised by Internal Audit on the fixed asset register are implemented:</p> <ul style="list-style-type: none"> the Council should carry out an exercise to ensure the accuracy of the asset register. the Council should embed a process whereby all assets for disposals are clearly communicated to the Principal Capital Accountant through the use of a form that this officer is required to sign to confirm removal of disposed assets from the Asset Register or justification is documented to explain why nil value assets remain recorded. <p>The Council should carry out a full review of its fully depreciated assets to determine whether they are still in use and have a value to the Council or whether they should be removed from the fixed assets register and the accounts.</p> <p>In addition, the Council should seek legal advice as to whether or not it needs to formally transfer title for its properties that are still registered in the name of the previous Berkshire County Council.</p>	High	The Council will undertake a full review of fully depreciated assets in the fixed asset register and seek legal advice about its properties that are not registered in the name of the Council.	Corporate Financial Controller	February 2014

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INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Business rates reliefs</p> <p>Internal Audit identified a number of weaknesses in the Council's controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers.</p> <p>These control weaknesses indicate a risk that NNDR collection amounts and contributions to the national pool may not be based on the most up to date information.</p>	<p>Management should ensure that the following recommendations raised by Internal Audit on business rates processes are implemented as a high priority:</p> <ul style="list-style-type: none"> an inspector should be put in place and regularly investigate empty properties and small businesses to ensure that these are still eligible for the reliefs and deductions they receive. An inspection timetable should be created to ensure that all properties in receipt of exemptions are inspected cyclically. the transactional hub contractor should create a review timetable to ensure that regular checks are undertaken to confirm continued eligibility to reliefs and exemptions. 	High	<p>A temporary inspector has been in post since late 2012-13. The FAB Team are also carrying out inspections as needed. An advert is about to be placed in the next couple of weeks for a permanent inspector.</p> <p>A review timetable will be in place once a permanent inspector is in place for empty property inspections.</p>	Transactional Services	February 2014
<p>Register of interests</p> <p>Internal Audit identified a number of weaknesses in the Council's arrangement for maintaining the register of Members' and officers' interests.</p> <p>As part of our audit of related party transactions, we completed a Companies House search for all Councillors and senior officers and compared identified directorships with recorded interests in the register of interests. We found seven undisclosed directorships for the officers sampled, two of which related to organisations in which the officer acts as the Council's representative.</p> <p>We are satisfied that there were no transactions between the Council and the relevant organisation in 2012/13, and therefore no impact on the related party transactions note in the financial statements. However, the risk of inadequate disclosures of related party transactions in the financial statements is increased if the register of interests is not complete.</p>	<p>The Council should issue further guidance to Councillors and officers to clarify that all directorships should be declared, including those where the post is held as a result of the individual's role in the Council.</p>	High	<p>Training for staff in Declaring Interest will be updated to include the requirement to declare positions in which they represent the council on external bodies.</p>	AD, Professional services	AD, Professional services

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INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Schools returns</p> <p>Our audit found a number of schools did not submit all four required quarterly returns to the Education Finance Team, which meant that the Council had to estimate the amount of income and expenditure for such schools to include in the financial statements at 31 March 2013, as well as year end balances for cash, debtors, creditors and reserves for these schools.</p>	<p>Management should work with the schools that failed to return all four of their quarterly certified returns on time for 2012/13, to ensure a clear timetable is agreed with the schools and implemented in future years.</p>	High	To be completed as part of the 2013-14 closedown review programme.	Financial Manager (Wellbeing)	March 2014
<p>Bank reconciliations</p> <p>A number of the year end bank reconciliations, particularly for schools and cash imprest accounts, have been completed a few days before year end.</p> <p>If reconciliations are not completed at the correct date it is possible that bank balances may be misstated if, for example, a large amount is received just before year end and is not accounted for in the correct financial year.</p>	<p>Management should ensure that all year end bank reconciliations are completed to reflect bank statement and cash book balances as at 31 March.</p>	Medium	The council will set out procedure notes for bank reconciliations ensuring they reflect balances as at 31 March.	Corporate Financial Controller	March 2014
<p>Purchase orders</p> <p>Internal Audit's testing found that for 15 out of 20 expenditure controls tested, the purchase requisition was created after the invoice was received.</p> <p>Whilst no payments can be made until invoices are appropriately authorised, good practice indicates that purchase requisitions are appropriately approved before ordering and receiving goods and services. Failure to do so could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.</p>	<p>Management should remind staff that all purchase requisitions should be raised and approved prior to orders being made for goods or services, in accordance with the Council's policies. Management should monitor compliance with these procedures.</p>	Medium	The Council is moving to a 'no purchase order no payment' process to ensure a much higher rate of purchase orders are raised well in advance of invoices being received.	Assistant Director, Commissioning, Procurement & Shared Services	January 2014

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INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>NNDR journals</p> <p>During the audit it was noted that there are inadequate controls over authorisations of NNDR journals, particularly in respect of refunds.</p> <p>The Council could incur loss if there is insufficient approval of journals in areas such as NNDR refunds.</p>	<p>Management should ensure that refunds to business ratepayers are appropriately authorised by an NNDR manager before being processed.</p>	<p>Medium</p>	<p>The Assistant Director of Finance and Audit is discussing this matter with Transactional Services.</p>	<p>TBC</p>	<p>TBC</p>

APPENDIX D

USE OF RESOURCES RECOMMENDATIONS						
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	
<p>Financial resilience Resource gaps have been identified for the period 2014/15 to 2016/17, where savings plans have not yet been identified. Ensuring financial balance over the medium term planning horizon will continue to require strong leadership and action by the Council.</p>	<p>Management should continue to work with budget holders to identify savings schemes to address resourcing gaps over the medium term.</p>	<p>High</p>	<p>Regularly reporting to CMT and to members on the Medium Term Financial Strategy (MTFS) is already being undertaken to ensure that there are clear savings proposals in place over the period of the MTFS.</p>	<p>Assistant Director, Finance & Audit</p>	<p>February 2014</p>	
<p>Slough Regeneration Partnership There are currently no agreed key performance indicators in place for the LABV.</p>	<p>The Council should work with partners to develop an appropriate suite of key performance indicators for the Slough Regeneration Partnership and performance should be regularly reviewed at the partnership boards.</p>	<p>High</p>	<p>This recommendation should be for the Council to develop an appropriate suite of performance indicators to be considered.</p>	<p>Assistant Director, Finance & Audit</p>	<p>January 2014</p>	
<p>Audit recommendations The Council has recently implemented a formal process to log recommendations made by Internal Audit. A summary of the latest results showed that only 45 per cent of recommendations made by Internal Audit that were due to be implemented by the end of May 2013 had been actioned.</p>	<p>Management should ensure that all outstanding high priority recommendations made by Internal Audit are addressed as a matter of urgency, particularly in respect of weaknesses in the governance, procurement and financial management arrangements within schools still under the control of the Council.</p>	<p>High</p>	<p>The Internal Audit recommendation tracker is regularly monitored and report to the Audit Committee on a quarterly basis. The most recent report to the audit committee shows that 48% recommendations have been assessed as fully implemented with 22% partially implemented and 9% superseded.</p>	<p>Assistant Director, Finance & Audit</p>	<p>On-going</p>	

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MEMBERS' ATTENDANCE RECORD 2013/2014

AUDIT AND RISK COMMITTEE

COUNCILLOR	25/06	19/09	22/10	12/12	13/03
Abe	P	Ap	Ap	P	
Bal	Ab	Ap	P	P	
Chohan	P	P	P	Ap	
S K Dhaliwal	P	Ab	Ab	Ap	
Nazir	P	P	P	P	
Sharif	P	P*	Ap	Ab	
Mr Kwatra	P	Ap	P	P	

P = Present for whole meeting
 Ap = Apologies given

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

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