SLOUGH BOROUGH COUNCIL

REPORT TO THE AUDIT AND RISK COMMITTEE

Audit for the year ended 31 March 2013

CONTENTS

OVERVIEW

Significant Matters for the attention of those charged with governance

We present this report to the Audit and Risk Committee on 22 October as our audit of the 2012/13 financial statements is now approaching completion.

In an interim report presented to the Audit and Risk Committee on 19 September, and to a full meeting of the Council on 26 September, we reported that the statutory deadline of 30 September would not be achieved for completion of the audit and certification of the final financial statements, due to a significant number of issues identified by the audit.

At its meeting on 26 September the Council delegated responsibility for approval of the 2012/13 financial statements to the Audit and Risk Committee.

Background to the 2012/13 audit of Slough Borough Council

BDO LLP (previously PKF [UK] LLP) was appointed to undertake the external audit of the Council with effect from 1 April 2012. Members will be aware the Council has previously experienced difficulty in achieving national and local timetables for the production of its annual financial statements effectively. The predecessor auditors delayed completing their audit of the financial statements in 2010/11 because of such difficulties and in 2011/12, recommended the Finance Team should reduce its reliance on interim staff in key finance posts to assist in resolving such difficulties.

Our 2012/13 audit plan, presented to the Audit and Risk Committee in March 2013, therefore identified the preparation of the financial statements as a significant audit risk. We also wrote to the Committee on 25 July 2013 to highlight our financial statements audit planning had identified a new, pervasive audit risk affecting the opening balances (2011/12 closing balances) included in the 2012/13 financial statements.

We prepared a detailed schedule of working papers and the audit trails we expected to receive with the draft financial statements. As new auditors to the Council, we requested a substantial amount of information officers had not previously been asked to produce. We recognise our requests represented a significant change for finance staff involved in the accounts production process. We provided our schedule of working paper requirements to officers on 28 January 2013, well in advance of the Council's accounts closedown timetable commencing.

Key audit findings

The Council provided the draft financial statements to us on 1 July 2013, in accordance with the closedown timetable. The requirements of the Accounts and Audit Regulations for the Chief Finance Officer to certify the accounts by 30 June 2013 were met. The Council therefore improved its performance compared to previous years by achieving these deadlines.

While the Council met published deadlines, it did not allow sufficient time to undertake a critical review of the draft financial statements before submission to audit. The incoming Finance Team identified there was insufficient transfer of detailed, operational knowledge about the problems previously encountered in closing the accounts or the new closedown timetable put in place to address the situation. As a consequence, the new Finance Team had little opportunity to review and understand Slough's approach to the more complex transactions contained in the financial statements before the closedown timetable commenced.

Our review of the draft financial statements found a high number of presentational errors and inconsistencies and we noted the requirements of certain accounting standards had not been fully followed. We reported such matters in the updated risk assessment included in our letter to the Audit and Risk Committee on 25 July.

In preparing the draft financial statements, officers produced their working papers and audit trails based on the requirements of the predecessor auditors. Not all of the information we requested was produced at the outset of the audit. Substantial delays were therefore encountered in progressing our audit work.

Our detailed audit identified a number of material errors in the presentation of the financial statements, in addition to the errors in the prior period accounts identified by management in closing the accounts. We also found a number of non-trivial (not material) errors and other inconsistencies. Officers have adjusted the majority of the errors identified by our audit, including those affecting the prior period financial statements.

The following significant changes occurred between the draft financial statements produced on 28 June and the audited financial statements.

As at 1 April 2011 (restated by prior period adjustment):

- the amount of net assets (Balance Sheet) decreased by £11.342 million (from £476.498 million to £465.156 million)

As at 31 March 2012 (restated by prior period adjustment):

- the deficit on the provision of services (Comprehensive Income and Expenditure Account) increased by £9.620 million (from £150.204 million to £159.824 million)
- net assets (Balance Sheet) reduced by £13.532 million (from £302.298 million to £288.766 million)
- earmarked reserves (Balance Sheet) including schools balances reduced by £3.004 million (from 39.003 million to £35.999 million)

As at 31 March 2013:

- net assets (Balance Sheet) decreased by £9.842 million (from £295.207 million to £285.365 million)
- earmarked Reserves (Balance Sheet) including schools balances increased by £400,000 (from £30.528 million to £30.928 million)
- the deficit on the provision of services (Comprehensive Income and Expenditure Account) reduced by £3.930 million (from £9.068 million to £5.138 million)
- the balance on the Collection Fund changed from a deficit of £74,000 to a surplus of £721,000 (overall impact £795,000)
- the balance on the Housing Revenue Account increased by £294,000 (from £14.041 million to £14.335 million).

Next steps

The Council has taken action following the adverse comments about the capacity of the finance team (reliance on temporary staff) reported by the predecessor auditors. It completed a critical review of the capacity and expertise of the Finance Department in October 2012 and has taken action to reduce its reliance on interim staff through permanent appointments to key posts.

Officers recognise the Council's arrangements for preparing the financial statements require further strengthening. Management believes it now has a more stable platform to achieve this. We will be working with the Chief Finance Officer and his team to ensure the recommendations arising from our audit are implemented, and that the significant matters identified by auditors are addressed in producing the 2013/14 financial statements.

Our letter to the Audit and Risk Committee on 25 July estimated the additional costs of addressing the pervasive risk identified over opening balances at up to £9,000. We are continuing to discuss with officers the additional costs involved in completing our audit of the financial statements in the light of the additional resources required to complete our work.

While our audit work remains in progress in a few areas at the time of drafting this report, we are aiming to issue an unqualified opinion on the financial statements and an unqualified value for money conclusion before the end of October subject to satisfactory clearance of the outstanding items on page 5.

Summary of key audit findings

The table below summarises the results of our audit work to date. As stated above, we anticipate issuing an unqualified opinion, although this is subject to the outstanding matters listed on page 5.

AREA OF AUDIT	SUMMARY
Financial statements	The following material misstatements of the primary statements were identified, which required restatement of the opening balances and prior year comparative figures by way of prior period adjustment: • £9.9 million imbalance in the Movement in Reserves Statement as a result of expenditure omitted from the 2011/12 Comprehensive Income and Expenditure Statement (identified by management) • £7.6 million overstatement of long term debtors and the capital adjustment account for assets that the Council is leasing to other organisations under operating leases (identified by the audit) • £5.5 million understatement of the revaluation reserve balance and overstatement of the capital adjustment account at 1 April 2011 (identified as a result of the audit) • £4.3 million overstatement of the debit balance on the financial instruments adjustment account and the credit balance on earmarked reserves at 1 April 2012 (identified by management) • £3.4 million overstatement of property, plant and equipment for a voluntary aided school which had not been removed from the Balance Sheet in prior years (identified by the audit) • £2.5 million overstatement of deferred capital receipts (unusable reserves) and short term debtors at 1 April 2012 in respect of the sale of land where contracts had not been completed (identified by the audit). Further material misstatements in the current year's primary statements were also identified: • £12.6 million misclassification of overall gross income and expenditure from services as a result of recharged Non Distributed Costs and other support costs and unallocated trial balance codes in the Comprehensive Income and Expenditure Statement • £5.5 million loss on derecognition of replaced components of council dwellings misclassified as impairments during 2012/13; this expenditure was omitted from the presentation of the Housing Revenue Account (HRA) • a number of amendments to the Collection Fund, including a £5m decrease to the amount disclosed for income collectable from business ratepayers • the HRA was extensively amended and the deficit for the year disclosed in the draft financial statements was reduced by £3.304 million, although the impact on the closing HRA balance was a reduction of only £294,000. In addition our audit identified a high number of material misstatements in the supporting notes and other disclosures in the financial statements, including the overstatement of gross cost/valuation and accumulated depreciation in the non current assets note to the draft financial statements (£21 million at 1 April 2012). The net book value of non current assets is unaffected by this error. Some areas of work remain outstanding at the time of drafting this report (see page 5). Should this result in any significant issues, we will provide an update to the Audit and Risk Committee. Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2013.
Unadjusted audit differences	An unadjusted error of £266,000 in the prior year, reported by the predecessor auditors, was corrected by the Council in the current year. However, it has been included in the schedule of uncorrected audit differences in Appendix II to show the impact on expenditure between financial years. There are three uncorrected audit differences identified by the current year's audit, which would increase the reported surplus for the year and increase the general fund (and reserves) by £2.412 million if they were adjusted.

<table>
<tr><th>AREA OF AUDIT</th><th>SUMMARY</th></tr>
<tr><td>Internal controls</td><td>The following issues have been noted where there were significant deficiencies in financial controls during the year. Some weaknesses were previously reported by Internal Audit:
weaknesses in the Council’s arrangements for maintaining the fixed asset register
weaknesses in the Council’s controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers (previously reported by Internal Audit)
weaknesses in the arrangements for declaring Members’ and officers’ interests (previously reported by Internal Audit), although this issue has now been substantially addressed
A number of other areas for improvement were identified, which we discussed with management.</td></tr>
<tr><td>Annual Governance Statement</td><td>We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).</td></tr>
<tr><td>Whole of Government Accounts (WGA)</td><td>We have not yet received the Council’s WGA return. The findings from our review of the consistency of this return with the audited financial statements will be circulated to members of the Audit and Risk Committee when complete.</td></tr>
<tr><td>Use of resources</td><td>We note the following key observations made during the course of our audit:
the Council has generally adequate arrangements in place for financial governance, financial planning and financial control and there are some strengths in the Council’s arrangements for managing its budgets
action is needed to further strengthen arrangements for preparing the annual financial statements and to embed these effectively
the medium term financial strategy indicates that the financial position is balanced for the 2013/14 period. There is a cumulative resource gap of £18.5 million for the following four years. Ensuring financial balance over the medium term planning horizon will continue to require strong leadership and action by the Council
the Council has appropriate governance and performance monitoring arrangements in place for managing its contract with the transactional hub provider. Management has reported a number of positive achievements for the first year of the Partnership’s operation
the Council is aware of the key risks associated with the Slough Regeneration Partnership and is taking appropriate steps to mitigate these. Work is underway to review the Council’s governance arrangements to ensure these consistently support the work of the partnership and achievement of Slough’s priorities for the area
the Council has taken appropriate steps to establish the Slough Wellbeing Board with its partners
the Council has implemented a local Council Tax support scheme to replace the previous Council Tax benefit scheme in accordance with the national timetable
management has implemented a process to log and track Internal Audit recommendations in the 2013/14 year. Further work is required to ensure that all outstanding high priority recommendations are addressed as a matter of urgency, particularly in respect of weaknesses in the governance, procurement and financial management arrangements within schools under the control of the Council (as identified by Internal Audit).</td></tr>
<tr><td>Value for Money Conclusion</td><td>We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. We propose issuing an unqualified value for money conclusion.</td></tr>
</table>

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We are in the process of completing our audit work in respect of the financial statements, and anticipate issuing an unqualified opinion on the financial statements and use of resources.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Risk Committee meeting on 22 October 2013.

- audit of the revised Cash Flow Statement, Financial Instruments note and Amounts reported for resource allocation decisions note, when they are available
- supporting documentation for sample items in our extended testing of balances where misstatements were identified in the original samples
- external confirmations for two bank account balances
- testing of controls over housing tenancies as we have only recently received the audit trails
- completion of our audit testing of grant income
- completion of audit work on a few other income and expenditure samples and disclosures notes
- clearance of all review queries
- receipt of amended final financial statements addressing all of the misstatements identified by our audit
- technical clearance and engagement quality control reviewer sign off (internal BDO requirement)
- subsequent events review
- management representation letter, as attached in Appendix VIII to be approved and signed.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Audit and Risk Committee meeting	22 October 2013
Signing of financial statements	22 October 2013
Signing of audit opinion, subject to completion of outstanding audit work and receipt of satisfactory revised financial statements	30 October 2013
Signing of WGA audit certificate, subject to receipt of satisfactory revised financial statements and WGA return	21 November 2013

INDEPENDENCE

INDEPENDENCE

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Risk Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff. This document considers such matters in the context of our audit for the year ended 31 March 2013.

A summary of our fees for audit and non-audit services for the period from 1 April 2012 to date is set out below. We wrote to the Chairman of the Audit and Risk Committee on 14 December 2012, consulting the Committee about the non-audit services to be provided in the year, and the safeguards we put in place. Details were also reported to the Audit and Risk Committee in our Audit Plan in March 2013.

We are still discussing the additional fee for our audit of specific risks and for the delays we encountered in progressing our audit. We will write to the Audit and Risk Committee with the outcome of these discussions and to notify the final fee.

We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors of the financial statements and that our independence declaration, included in the Audit Plan for 2012/13, has remained valid throughout the period of the audit.

	£
Code Audit fee - per Audit Plan	184,960
Grants Certification Fees - estimate per Audit Plan	19,150
Fees for Non-Audit Services – Local Asset Backed Vehicle structure review	10,033
TOTAL PLANNED FEES	**214,143**
Additional fee for the audit of financial statements.	**TBA**
FINAL FEES	**TBA**

We are currently discussing the additional fee for the audit with management.

AUDIT SCOPE AND OBJECTIVES

Our audit scope is determined by the Audit Commission's Code of Audit Practice for Local Government and covers an audit in accordance with International Standards on Auditing (UK and Ireland) of the statutory financial statements. We form an opinion on whether:

1. The financial statements give a true and fair view of the state of the Council's affairs as at 31 March 2013 and of the income and expenditure for the year then ended

2. The financial statements have been properly prepared in accordance with statutory requirements and proper practices have been observed in their compilation

3. The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting

4. The information given in the Statement of Accounts and Explanatory Foreword is consistent with the financial statements

5. The Annual Governance Statement is not inconsistent with our knowledge and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE)

6. The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and for:
   - securing financial resilience
   - challenging how it secures economy, efficiency and effectiveness

7. The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared

FINANCIAL STATEMENTS

Key audit and accounting matters

To provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been prepared properly, in accordance with accounting policies directed by the Secretary of State, we carry out risk based procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation.

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, Appendix III gives an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

We are required to report to you all uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the opinion in the auditor's report, except for those that are clearly trivial. For reporting purposes, we consider misstatements of less than £125,000 to be trivial and have not reported them, unless the misstatement is indicative of fraud.

We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the financial and operational systems, but only those matters which have come to our attention as a result of the audit procedures performed. We only restate weaknesses already reported by Internal Audit where we consider these to be significant deficiencies. Recommendations in response to the key findings identified by our audit are provided in the action plan at Appendix V. These recommendations have been discussed with appropriate officers and their responses are included.

AUDIT RISK AREAS			
RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
MANAGEMENT OVERRIDE	ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements. We also reviewed accounting estimates for evidence of possible bias.	Our audit work has not identified any significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. Our work on accounting estimates has not identified any evidence of bias, although we did find some errors as highlighted later in this report.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
REVENUE RECOGNITION - GRANT INCOME	The finance team reviews agreements and other documentation from the grant paying body to determine whether there are conditions attached to the grant. Expenditure incurred in respect of specific grants is coded to separate cost centres in the nominal ledger and this is reviewed by the finance team to determine whether grant conditions have been met and therefore the required accounting treatment.	We substantively tested an extended sample of grant income to ensure that accounting policies had been correctly applied in determining the point of recognition of income and that income was completely and accurately recorded.	We have not yet completed our testing of grant income. However no issues have been identified from our income testing to date.
REVENUE RECOGNITION - INCOME FROM PRIMARY CARE TRUSTS	For income from the Primary Care Trust (PCT) the Council agrees the list of clients eligible for funded nursing care with the PCT and recharges accordingly.	We substantively tested an extended sample of income from the PCT to ensure accounting policies were correctly applied in determining the point of recognition of income and that such income was completely and accurately recorded.	No issues have been identified from our testing of income from the PCT for funded nursing care.
REVENUE RECOGNITION - GENERAL FEES AND CHARGES	Invoices are raised by the transactional services hub upon receipt of 'notification of debt' forms from service departments. The notification forms are signed to evidence that the invoices, and the associated accounting entries, have been prepared appropriately.	We substantively tested an extended sample of other fees and charges to ensure accounting policies had been correctly applied in determining the point of recognition of income and that such income was completely and accurately recorded.	No issues have been identified from our audit testing of fees and charges to date.
OPENING BALANCES - FINANCIAL STATEMENTS DISCLOSURES	Following comments reported by the predecessor auditors regarding the quality of the financial statements presented for audit in the prior year, the Council has taken action to strengthen the capacity of the finance team. Prior to the 2012/13 accounts closedown, the Council produced a draft template of the financial statements, which was shared with us for comment. This template was used to produce the 2012/13 financial statements, supported by CIPFA's financial statements model.	We reviewed the template financial statements produced before the closedown of the 2012/13 financial statements and provided a detailed list of comments to management. We reviewed the draft 2012/13 financial statements presented for audit against the requirements of the Code of Practice for Local Authority Accounting 2012/13. We also carried out a detailed review of the consistencies and inter-relationships between the primary statements and notes for all the comparative figures in the 2012/13 financial statements and requested that any significant presentational issues and accounting errors are adequately corrected or disclosed.	Our review of the template financial statements produced by the Council, which included the closing figures for 2011/12 as opening balances for 2012/13, identified a significant number of presentational and disclosure errors, including inconsistencies between balances in the financial statements. These inconsistencies remained uncorrected in the 2012/13 draft financial statements presented to us for audit. We highlighted these inconsistencies to management and discussed which amounts need to be restated in order to present a true and fair view of the 2012/13 financial statements. Some work remains in progress on this matter at the time of drafting this report.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
OPENING BALANCES - ERRORS IN PRIOR YEAR CLOSEDOWN JOURNALS	During management's review of reserves in 2012/13 it was noted that a journal to the value £4.284 million processed during the financial closedown in 2011/12, relating to a premium on early redemption of debt, should not have been raised. Management has investigated how the issue arose and has processed a correcting journal in 2012/13. In producing the 2012/13 financial statements management also identified a difference of £9.9 million between the 2011/12 Movement in Reserves Statement and the supporting note for 'adjustments between accounting basis and funding basis under regulations' (note 7). Finance officers are investigating the issue to determine how the difference arose in the prior year or where the error lies. As a result of the above issues, management strengthened its procedures to include a detailed review of all material closedown journals for the 2012/13 financial statements.	We have agreed the adjustments made to correct the £4.2 million and £9.9 million errors in the 2011/12 comparative figures and opening balances at 1 April 2012, including checking that these errors are appropriately corrected as prior period adjustments in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. We have reviewed the Council's processes to reproduce the prior year comparatives and any (prior year) off-ledger journals to identify where the inconsistency lies. As a result of the above issues, there is a pervasive significant audit risk over opening balances and therefore we have also tested a sample of prior year closedown and off-ledger journals to determine whether there are any further significant errors in opening balances.	The Council has corrected the £4.284 million error by reducing the debit balance on the financial instruments adjustment account by £4.284 million, reducing earmarked reserves by £3.004 million and reducing the HRA balance by £1.280 million. However this correction was not made by way of a prior period adjustment to opening reserves in the draft financial statements, as required by accounting standards (IAS 8). As a material error occurred in the opening balances, we requested that the Council restates the 2011/12 opening balances in the 2012/13 financial statements by way of prior period adjustment. This has subsequently been corrected in the latest financial statements. Finance officers have investigated the £9.9 million inconsistency in opening balances and have determined that the error arose due a combination of incorrect processing of revenue expenditure funded from capital under statute and incomplete allocation of expenditure codes within the trial balance to the 2011/12 financial statements. This has been corrected in the latest financial statements by increasing revenue expenditure funded from capital under statute by £7.587 million and other expenditure by £2.376 million included in the 2011/12 CIES. Our audit has not identified any other misstatements arising from prior year closedown procedures, although we have identified other material misstatements in opening balances at 1 April 2011. See Misstatement section of our report below.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
PROPERTY, PLANT AND EQUIPMENT (PPE) - RIGHTS	As a result of issues reported by the predecessor auditors regarding disposals of fixed assets that had not been removed from the Council's accounts, incomplete registrations with the Land Registry and insufficient evidence of ownership for properties included in the fixed assets register, the Council is now reviewing and updating the fixed asset register.	We have reviewed Internal Audit's conclusions about the Council's arrangements for maintaining the fixed assets register. We have carried out extended sample testing to confirm ownership of fixed assets by the Council.	At the time of drafting this report Internal Audit's report on the fixed assets register has not been finalised with management. However, the draft report includes the following identified weaknesses: • the Council does not undertake asset reconciliations between systems to confirm the accuracy of data held in the fixed assets register or the Land Terrier/Land Registry • sample testing of assets selected for revaluation, identified that assets previously disposed of remained on the register, where they were valued at nil without any further explanation to justify their inclusion. We have noted there are a number of fully depreciated assets in the fixed assets register. These assets have a gross cost and gross accumulated depreciation of £18.889 million. Management has confirmed that the fair value of these assets is not material and we have sought management representation on this matter. We have recommended in the Action Plan at Appendix V that the Council completes a full review of these 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. In addition, our audit work identified a number of assets that are still registered in the name of Berkshire County Council. We have recommended in the Action Plan at Appendix V that the Council seeks legal advice as to whether these titles need to be amended at the Land Registry. We have reported these issues as significant deficiencies in controls in the control environment section below and we have repeated Internal Audit's recommendations in the Action Plan at Appendix V. Our audit of property, plant and equipment found that the balances for gross cost/valuation and accumulated depreciation in the property, plant and equipment note did not agree to the fixed assets register as a result of a different disclosure of the write out of depreciation and impairment on revaluation. See Misstatements section of our report below. There is no impact on the overall value of property, plant and equipment.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
PPE - PROPERTY VALUATIONS	The Council has taken steps to ensure that the issues raised by the predecessor auditors with regards to accounting for revaluations are not repeated in the current year.	We have reviewed the processes established by the Council for the valuation of its properties and carried out extended testing to ensure that assets are valued in accordance with the Council's policies (and CIPFA's Code requirements).	We are satisfied that assets have been revalued using an appropriate measurement basis. However, an imbalance between the revaluation reserve balances held within the fixed assets register and the balance in the accounts was identified as a result of the audit. The balances in the fixed assets register are considered to be correct and therefore a prior period adjustment has been processed to reduce the balances on the revaluation reserve and the capital adjustment account by £5.535 million at 1 April 2011. Further misstatements in the processing of revaluation journal entries in 2012/13, amounting to £1.462 million, were also identified, which have been corrected in the latest financial statements.
PPE- COMPLETENESS OF DEPRECIATION	As a result of issues reported by the predecessor auditors regarding incomplete depreciation of infrastructure, the Council has amended its fixed asset register to include depreciation on all infrastructure assets.	We have reviewed Internal Audit's report following its review of the fixed asset register. We have reviewed the fixed asset register to check that all relevant assets have been depreciated, including infrastructure. We have also carried out extended testing on a sample of depreciation calculations.	Our review of the fixed asset register identified 12 operational and 21 depreciable surplus assets that have not been depreciated. Whilst the impact on the financial statements is currently trivial, we have raised a recommendation in the Action Plan at Appendix V for this issue to be addressed.
PPE - COMPONENTISATION	The Council's previously stated policy was that assets would be componentised only where an individual item had a value in excess of 25 per cent of the total carrying value of the asset. No assets were captured by this policy. Following our discussions with officers at the audit planning stage, management has revised the thresholds for recognising components in its policy for 2012/13.	We have carried out extended testing to check whether assets revalued in the year and asset additions have been appropriately componentised according to the Council's new policy. We have also considered whether the Council's policy is reasonable and whether there is a risk of material misstatement of the depreciation charge.	The Council has revised its accounting policy for componentisation and is applying the revised policy, which is considered to be reasonable. However, we noted that for buildings revalued during the year, the Council had used the weighted average useful economic life provided by the Valuer for depreciating components that have longer lives than the weighted average, such as the structure of the buildings. Depreciation was therefore overstated by approximately £420,000. This is included in the schedule of unadjusted audit differences at Appendix II.

AUDIT RISK AREAS			
RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
NATIONAL NON-DOMESTIC RATES (NNDR) - BASE DATA	As a result of issues reported by the predecessor auditor on the reconciliations of valuation officer listings to the NNDR system, the transactional services hub has carried out extensive work to update the NNDR system from the latest valuation officer listings for each property and to resolve identified differences.	We have obtained an understanding of the process completed by the Council to update the NNDR system based on valuation officer listings and to account for any identified differences. We have also carried out extended sample testing to agree rateable values as recorded in the NNDR system (Academy) to listings from the valuation officer.	We are satisfied that the NNDR system has been updated from the latest valuation officer listings for each property in our sample and that identified differences have been addressed. Our testing confirmed that ratepayer accounts on the system now have the correct rateable value attached for each of the items we sampled.
NNDR - RELIEFS	In response to Internal Audit's recommendations regarding weaknesses in controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers, the Council is in the process of identifying resource to be allocated to this task.	We have substantively tested an extended sample of reliefs to ensure that they are correctly applied.	While significant deficiencies in authorisation controls over NNDR reliefs were evident in 2012/13, our substantive testing of a sample of reliefs recorded in the NNDR system has not identified any issues regarding the accuracy or validity of the reliefs granted. We have reported the weaknesses in controls in this area as a significant deficiency in controls in the Control environment section below and we have repeated Internal Audit's recommendations in the Action Plan at Appendix V.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
RELATED PARTY DISCLOSURES	Following weaknesses highlighted by the predecessor auditors and Internal Audit in the Council's processes for recording Members' and officers' declarations of interests and identifying and disclosing related party transactions in the financial statements, finance officers have obtained year end declarations from all Councillors and the Corporate Management Team.	We have reviewed the Council's processes for identifying related party relationships and transactions for 2012/13. We have also substantively tested an extended sample of related party relationships to check whether all declarations have been made to the Council and that the related party disclosures in the financial statements are complete.	We have reported the weaknesses in controls over declarations of interests in 2012/13, as identified by Internal Audit, as a significant deficiency in controls during the year in the Control environment section below. Our testing of disclosures in the related parties note found that amounts paid to the Slough Community Leisure Centre, of which two Councillors are members of the Board, was understated by £148,000. This is being corrected in the final financial statements. 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 where the post is held as a result of the officer's role in the Council. However, there were no transactions between the Council and the relevant organisations, and therefore no impact on the related party transactions note in the financial statements. The Council has implemented a new register of interests system, which has largely addressed the recommendations raised by Internal Audit. However, we have raised a recommendation in the Action Plan at Appendix V for the Council to issue further guidance to clarify the information officers and Councillors are required to disclose, particularly in respect of organisations where they act on the Council's behalf. In addition, 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 draft financial statements. Councillors had correctly declared their Directorship of these organisations. As the amounts are potentially material to the related organisations, the related party disclosures will be amended in the final financial statements.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
INCREASE IN NON DISTRIBUTED COSTS	Finance officers have investigated the reasons for an increase of £21.9 million in gross expenditure and £18.1 million in gross income in Non Distributed Costs disclosed in the Comprehensive Income and Expenditure Statement (CIES) compared to prior year totals.	We have reviewed the working papers to support non distributed costs and the significant variance from the prior year. We have checked that only items that meet CIPFA's Service Reporting Code of Practice (SERCOP) definition of non distributed costs are included in this heading.	Our audit found that the Council had incorrectly included internal income received from the recharging of Non Distributed Costs and other support costs within gross income in the CIES, rather than netting the income off against the expenditure. In addition, the Council identified a number of trial balance codes that had been incorrectly allocated to the draft Comprehensive Income and Expenditure Statement. As a result, overall gross income and expenditure on services were both overstated by £12.569 million in the draft financial statements. This has been amended in the final financial statements.
DECREASE IN OTHER CREDITORS	Finance officers are investigating the reasons for the £8.9 million decrease from prior year in other creditors within the short term creditors note	We will review the explanations and supporting evidence for the significant decrease in other creditors this year, when available.	We are satisfied that the decrease relates largely to specific capital creditors at the prior year end that are not required at 31 March 2013. Our audit work has not identified any significant issues with the completeness of creditor balances.
DECREASE IN ACCUMULATED ABSENCES ACCRUAL	Finance officers have investigated the reason for a decrease of £2.7 million in the accumulated absences accrual within short term creditors, for staff leave not taken at 31 March 2013, compared to the prior year amount.	We have assessed the adequacy of the Council's procedures for determining the number of staff annual leave days outstanding at year end and checking the accuracy of the accrual calculations.	We are satisfied that the Council has correctly calculated the required accrual for teachers. No accrual for any untaken leave by other Council staff has been raised on the grounds that staff may only carry forward untaken leave, up to a maximum of five days, in exceptional circumstances. The Council's current record keeping does not allow for a detailed listing of all untaken staff leave to be produced, although it is expected that this information will be available going forward from a new HR system that is being implemented. We are satisfied that the Council's judgements and estimates in this area are not unreasonable and any misstatement at year end would not be material.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
PENSION FUND LIABILITY	The Council obtains the actuarial valuation of the pension fund from Barnet Waddingham and checks the recommended disclosures are in line with management's expectations before processing the necessary accounting entries under the relevant accounting standard (IAS19 - Employee benefits).	We have reviewed the accuracy of the disclosures in the financial statements against the actuarial valuation and have considered the outcome of management's review of the information provided by the scheme actuary to ensure this is reasonable. We have received information from the pension fund auditor regarding their testing of controls operated by the pension fund, which has not identified any significant issues. We have also reviewed a report produced by the Audit Commission and provided to all auditors based on an assessment of the assumptions made by actuaries involved in Local Government Pension Scheme valuations across the country.	No issues have been identified from our audit work in this area. Further detail of management's approach and our work in auditing this liability has been reported within the Accounting estimates section below.

Accounting Practices and Financial Reporting Framework

Financial Statement Preparation process	Audit issues and impact on opinion
The requirement for Members to approve the draft financial statements by 30 June was removed by the Accounts and Audit Regulations 2011, however these regulations introduced the requirement for the Responsible Financial Officer to sign and present the financial statements for audit by 30 June. The 2012/13 financial statements were signed by the Chief Financial Officer on 28 June 2013 The Council provided the draft financial statements to us on 1 July 2013, in accordance with the closedown timetable. The requirements of the Accounts and Audit Regulations for the Chief Finance Officer to certify the accounts by 30 June 2013 were met. The Council therefore improved its performance compared to previous years by achieving these deadlines.	While the Council met published deadlines, it did not allow sufficient time to undertake a critical review of the draft financial statements before submission to audit. The incoming Finance Team identified there was insufficient transfer of detailed, operational knowledge about the problems previously encountered in closing the accounts or the new closedown timetable put in place to address the situation. As a consequence, the new Finance Team had little opportunity to review and understand Slough's approach to the more complex transactions contained in the financial statements before the closedown timetable commenced. As part of our planning for the audit we prepared a detailed schedule of working papers and the audit trails we expected to receive with the draft financial statements and we provided this schedule to officers on 28 January 2013. However, in preparing the draft financial statements, officers produced their working papers and audit trails based on the requirements of the predecessor auditors. Not all of the information we requested was produced at the outset of the audit. Substantial delays were therefore encountered in progressing our audit work.
Accounting Policies	**Audit issues and impact on opinion**
The following changes have been introduced by the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'), resulting in changes in accounting practice: • objective of the financial statements and the qualitative characteristics of financial information as a result of the publication of the first phase of the International Accounting Standards Board's (IASB's) The Conceptual Framework for Financial Reporting 2010 (the Conceptual Framework) • encouraging local authorities to prepare the Explanatory Foreword taking into consideration the requirements of the Government's Financial Reporting Manual (FReM) • amendments in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).	We have no matters to report in relation to the changes introduced by the 2012/13 Code, although we have the following issue to report in relation to the Council's application of accounting policies: **Periodic income and expenditure** We have noted that the Council does not raise accruals or recognise deferred income at year end for periodic income not yet billed or received in advance. Similarly, accruals are not raised for periodic expenditure, such as utility bills, at year end. The 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 and expenditure in the general ledger. This approach is acceptable where there are no significant fluctuations in income or expenditure between financial years. We have requested that the approach adopted is documented in Accounting Policies and we have raised a recommendation in the Action Plan that management reviews this approach each year to ensure that it does not result in a material misstatement of income for the year.

Accounting estimates	Audit issues and impact on opinion
We review material accounting estimates identified as having high estimation uncertainty or which are subject to a significant degree of judgement by management, and assess the reasonableness of the assumptions applied by management when deciding whether to recognise amounts in the accounts or the value at which these are recognised. We consider the following to be material accounting estimates with high estimation uncertainty: • valuation and depreciation of property, plant and equipment • estimated pension liability	**Valuation of property, plant and equipment** Land and buildings are required to be carried at fair value which is either existing use value, depreciated replacement cost for specialised properties or open market value. The Council's accounting policy states that such assets are included in the Balance Sheet at fair value and 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. The Council does not adjust for price indices between formal valuations unless there is indication of material changes. Management processes valuation adjustments to land and buildings based on valuation reports and useful economic lives provided by an independent firm of valuers with specialist knowledge and experience valuing local authority estates, which has regard to local prices and building tender indices in the public sector. For the assets formally revalued in the year, the valuer reported the values as at 1 April 2012 and provided a complementary report to confirm that there were no material changes at 31 March 2013. We are satisfied that the valuer is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the valuations provided, when compared to other price index information available, and useful economic lives allocated to buildings and significant components, showed that they are not unreasonable. The Code requires that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value. As a minimum, this requires valuations to be obtained every five years but they must be revalued more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value. The Government's Housing Stock Valuation Guidance (issued in 2010) also only requires a full valuation of council dwellings once every 5 years and an annual review in intermediate years, which should take account of material movements in value at the asset group level, including impairment. Management has stated that it is satisfied the current programme of valuations is adequate and that there is no material difference between the fair value of land and buildings at 31 March 2013 and the carrying value based on valuations in previous years, as year-end reviews of impairment and material changes are carried out by the valuer. However, the evidence retained by management to support the cumulative movements in year-end values for assets formally revalued in previous years, is limited. We have recommended in Appendix V that management more fully document its thought process and evidence to support the representation that the carrying values of all assets remain materially accurate compared to fair value at year end. The year-end reviews carried out by the valuer include a report on the movements in the average market prices of housing in the area. These reports indicate a decrease of 0.76 per cent for 2012/13 and an increase of 1.6 per cent for 2011/12 in the market value of houses. The last full valuation of council dwellings was on 1 April 2010. The Council has not adjusted the value of its council dwellings for any price movements since that date on the basis that such movements are not material. Based on the price information provided by the external valuer, we are satisfied that council dwellings are not materially misstated at 31 March 2013.

Accounting estimates (continued)	Audit issues and impact on opinion

Vehicles, plant and equipment are reasonably short-life assets and the depreciated carrying value is assumed to be a reasonable proxy for their fair value, without requiring any regular market valuation adjustments. We have reviewed the useful economic lives allocated to classes of equipment assets and are satisfied that they are not unreasonable.

The Code requires that management reviews the residual value, useful life and depreciation method of all classes of assets at the year end to confirm that annual depreciation charges properly reflect the consumption of those assets. Where these differ significantly from previous estimates the impact on the annual and future depreciation charges should be disclosed in the financial statements.

Management has stated that it has undertaken an informal review of useful lives, depreciation methods and residual values and that the existing assumptions remain appropriate. However, the evidence retained by management to support their review is limited and we have recommended in Appendix V that management more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets.

Estimated pension liability

The net pension liability of the Council comprises its share of the market value of assets held in the Royal County of Berkshire Pension Fund, administered by the Royal Borough of Windsor and Maidenhead Borough Council, and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.

Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with its knowledge of the business of the Council.

We are satisfied that the actuary is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are generally not significantly different from those being applied by the actuaries of other local authorities.

Other estimations

The Council has estimated a creditor accrual of £994,000 for expected amounts payable for special education needs services, 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 the prior year. We have raised a recommendation in the Action Plan at Appendix V that the accrual should be estimated at year end taking account of the actual number of placements and the expected cost for each; and that regard should be had of the outcome against the prior year accrual.

Disclosures	Audit issues and impact on opinion
We review material accounting disclosures, to confirm that they are in compliance with the requirements of the Code	The following presentational and disclosure amendments are being made to the final financial statements: • removal of irrelevant disclosures with 'nil' values • presentation of the dates within the financial statements to more clearly show those that relates to balances at year end and those that relate to movements in the year • correction of a number of rounding differences across the financial statements • Balance Sheet – netting off of overdraft balances against cash and cash equivalents in the Balance Sheet and note 18, including a reclassification of balances at 1 April 2011 and 31 March 2012, as the bank accounts in overdraft at 31 March 2013 are an integral part of the Council's cash management and fluctuate between positive and negative balances • Balance Sheet – reclassification of the long term and short term balances for finance lease and PFI liabilities from creditors to 'Other long term liabilities' and 'Other current liabilities' respectively, including a reclassification of balances at 1 April 2011 and 31 March 2012, in the Balance Sheet and note 20 • note 1 - update to the accounting policy note to reflect the Council's policy on componentisation of property, plant and equipment • note 1 – disclosure of the Council's approach to accounting for periodic income because full accruals accounting is not applied • note 3 – disclosure of the Council's approach to accounting for schools, including voluntary controlled schools which the Council has removed from the Balance Sheet • note 4 – amendments to the 'Assumptions made about funding and other sources of estimation uncertainty' note to include the carrying amounts at the end of the year for items included in the note; the uncertainty involved in valuation of land and buildings; and the effect that the five year rolling programme of valuations and the use of the beacon basis may have on values and useful economic lives • note 4 – disclosure of the estimations involved in calculating impairment allowances for doubtful debts, the fair value of borrowing and investments and the value of creditor accruals • note 5 - disclosure of the loss on derecognition of property, plant and equipment relating to academies within the 'Material items of income and expenditure' note • note 6 - disclosure of the NNDR rates reforms, transfer of public health responsibilities, outstanding business rates appeals at 1 April 2013 and the three schools achieving Academy status after year end as non-adjusting post balance sheet events in the 'Events after the reporting period' note • note 7 - separate disclosure of movements in the fair values of investment properties in the 'Adjustments between Accounting Basis and Funding Basis under Regulations' note, as required by the Code (previously disclosed as part of depreciation and impairment of non-current assets) • note 12 - analysis in the property, plant and equipment note of the total revalued amount of assets across each the five years of the rolling programme of revaluations • note 12 - analysis of major capital commitments at year end in the property, plant and equipment note • note 13 - disclosure of any contractual obligations to purchase, construct or develop investment property or to carry out repairs, maintenance or enhancements in respect of investment properties, as required by the Code

Disclosures (continued)	Audit issues and impact on opinion
	• note 13 - disclosure of any restrictions in respect of the Council's rights to realise the value inherent in its investment property or the right to income and proceeds from disposal, as required by the Code • note 17 – further analysis of debtors for amounts receivable from NHS bodies, public corporations and trading funds and other entities and individuals, in accordance with Code requirements • note 20 – further analysis of creditors for amounts payable to NHS bodies, public corporations and trading funds and other entities and individuals, in accordance with Code requirements • note 22 – inclusion of description for 'amounts applied to finance new capital investment' in the capital grants unapplied account • note 23 – inclusion of description for 'use of the capital receipts reserve to finance new capital expenditure' in the capital adjustment account • note 27 - inclusion of description for 'fees, charges & other service income' in the 'Amounts reported for resource allocation decisions' note • note 34 – disclosure of £90,000 paid to the Thames Valley Athletics Centre and £38,000 paid to the Slough Museum as councillors hold directorships in these organisations • note 35 - clearer disclosures that certain 2011/12 balances have been restated and the reasons for the restatement • note 37 – amended presentation of the movements in the PFI liability in the PFI note • note 45 – removal of note on changes in accounting policy for Heritage Assets because the change came into effect in the prior year • HRA notes – disclosure of the total Balance Sheet value of non-current assets within the Council's HRA as at 1 April 2012 and 31 March 2013 in respect of each asset category in the property, plant and equipment note • HRA notes – disclosure of the vacant possession value of dwellings within the Council's HRA as at 1 April 2012 and an explanation that vacant possession value and Balance Sheet value of dwellings within the HRA show the economic cost to the Government of providing council housing at less than market rents • HRA notes – disclosure of an explanation of the capital asset charges accounting adjustment, calculated in accordance with Item 8 Credit and Item 8 Debit (General) Determination for the year • Collection Fund - disclosure of opening and closing fund balance, and contributions towards the previous year's estimated collection fund surplus/deficit • Collection Fund note 4 - inclusion of description for 'total non-domestic rateable value'

Misstatements	Audit issues and impact on opinion
We identified a number of departures from the expected presentation of the 2012/13 financial statements, or where notes and other disclosures had not been presented in accordance with the Code and requested management correct these in order to achieve compliance. We have reported these under the following headings: • Material misstatements of the primary statements requiring prior period adjustments • Other material misstatements of the primary statements in the current year • Material misstatements of disclosures and notes • Non-material misstatements of the primary statements and note disclosures • Other issues	**Material misstatements of the primary statements requiring prior period adjustments** The following misstatements identified in the draft financial statements have been corrected in the latest financial statements by restating comparative figures in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The Council is in the process of producing a Prior Period Adjustments note to record the impact of these changes in the financial statements. **Imbalance in prior year Movement in Reserves Statement (£9.9 million)** As reported in the audit risks section above, the prior year financial statements included an imbalance (difference) of £9.963 million between the Movement in Reserves Statement and the supporting note for 'Adjustments between accounting basis and funding basis under regulations'. The Council has investigated the issue and a prior period adjustment has been processed to correct the misstatements in revenue expenditure funded from capital under statute (£7.587 million) and other expenditure (£2.376 million) included in the 2011/12 CIES. **Leased assets (£7.6 million) and minimum revenue provision** The Council had a long term debtor of £7.577 million at 1 April 2011 in respect of assets that it is leasing to other organisation. This balance reduced to £6.024 million at 31 March 2013. During the audit it was established that these transactions are operating leases and therefore management agreed that the balance should be removed from debtors and the capital adjustment account balance reduced accordingly. As part of these transactions, the Council had incorrectly reduced its minimum revenue provision by £1.286 million in 2012/13 and £253,000 in 2011/12 for income earned from these leases, rather than recognising the income in the CIES. As this treatment has resulted in a material misstatement of opening balances on long term debtors and the capital adjustment account, opening balances have been restated by way of a prior period adjustment. The following amendments have been made in the final financial statements: - decrease long term debtors by £7.577 million at 1 April 2011 - decrease short term debtors by £253,000 at 1 April 2011 - decrease the capital adjustment account by £7.830 million at 1 April 2011 - reverse the 2011/12 reduction in the long term debtor balance of £243,000 and the reduction in the short term debtor balance of £10,000, and recognise income of £253,000 in 2011/12 - reverse the 2011/12 credit to the minimum revenue provision in the general fund and the corresponding debit to the capital adjustment account of £253,000 - reverse the 2012/13 reduction in the long term debtor balance of £1.310 million and the increased in the short term debtor balance of £23,000, and recognise income of £1.287 million in 2012/13 - reverse the 2012/13 credit to the minimum revenue provision in the general fund and the corresponding debit to the capital adjustment account of £1.287 million.

Misstatements (continued)	Audit issues and impact on opinion
	Revaluation reserve (£5.5 million) As part of our audit of revaluation movements on property, plant and equipment in the year, we requested an analysis of the revaluation reserve balance by asset, as held within the fixed asset register system. This analysis indicated an unreconciled difference of £4.073 million at 31 March 2013 between the overall reserve balance and the balances in the fixed assets register. On further investigation the Council found that the revaluation reserve balance in the financial statements at 1 April 2011 was understated and the capital adjustment account balance was overstated by £5.535 million, a difference which had been carried forward to 2012/13. Other misstatements in the processing of revaluation movements in 2012/13 accounted for the remaining £1.462 million difference. The Council has proposed a prior period adjustment of £5.535 million to correct the revaluation reserve balance at 1 April 2011 and further amendments are being made to correct the misstatements between the revaluation reserve and the capital adjustment account in 2012/13. **Financial Instruments Adjustment Account (£4.3 million)** We reported in the audit risks section above that the Council has corrected a £4.284 million error in the prior year financial statements by reducing the debit balance on the financial instruments adjustment account and reducing earmarked reserves and the HRA balance during 2012/13. As the misstatement was material, the Council should have restated its opening balances at 1 April 2012 and made the necessary prior period adjustment disclosures as required. This has been amended in latest financial statements. **Voluntary aided school (£3.4 million)** Our audit of property, plant and equipment found that a voluntary aided school with a carrying value of £3.358 million at 31 March 2013 was included in the draft Balance Sheet. All other voluntary aided schools have correctly been taken off the Balance Sheet in prior years. IFRIC 12 *Service concession arrangements* does not apply to voluntary aided schools and therefore does not require recognition on the Balance Sheet, as there is no contract for the provision of services by the schools and the schools are not providing new or enhanced infrastructure assets for the benefit of the Council. In addition, IFRIC 4 *Determining whether an arrangement contains a lease* is not applicable as there is no payment from the Council to the governing body. The Dedicated Schools Grant does not include a payment for use of the asset. Rather, it is a payment to fund the services operating through use of the asset. Accordingly, IFRIC 4 is not applicable for voluntary aided schools in the majority of cases.

Misstatements (continued)	Audit issues and impact on opinion

Whilst this misstatement was not on its own material in the prior year financial statements, when combined with the misstatement in deferred capital receipts below, the cumulative impact on unusable reserves is material. The balances have therefore been corrected by way of a prior period adjustment to remove the assets from the Council's financial statements:

- decrease property, plant and equipment and the capital adjustment account by £1.001 million at 1 April 2011
- reverse depreciation of £90,000 charged on the asset in 2011/12
- reverse an upward revaluation of £2.535 million that was credited to the revaluation reserve in 2011/12
- reverse depreciation of £88,000 charged in 2012/13.

Deferred capital receipts (£2.5 million)

Since 2010/11 the Council has included £2.511 million within deferred capital receipts (unusable reserves) and short term debtors in respect of the sale of a strip of land where contracts had not yet been completed. As the asset has not been sold as at 31 March 2013, the balance has been removed from deferred capital receipts and debtors in the latest financial statements.

Whilst this misstatement is not on its own material, when combined with the misstatement in voluntary aided schools above, the cumulative impact on unusable reserves is material. The balances have therefore been corrected by way of a prior period adjustment.

Other material misstatements of the primary statements in the current year

Recharged Non Distributed Costs and other support costs (£12.6 million)

As reported in the audit risks section above, our audit found that the Council had incorrectly included internal recharge income within gross income from Non Distributed Costs in the CIES, rather than netting the income off against the expenditure. In addition, the Council found a number of trial balance codes that had been incorrectly allocated to the draft CIES. These misstatements include some HRA items which have been reported separately below.

Overall, gross income and gross expenditure on services were both overstated by £12.569 million in the draft financial statements. This has been amended in the latest financial statements.

Misstatements (continued)	Audit issues and impact on opinion
	Impairment of capitalised expenditure on Council dwellings (£5.5 million) The Council incurred expenditure of £5.478 million on the refurbishment of its housing stock in the year. This amount had been written off as impairment on the grounds that management considered that it did not add any enhanced value to the properties. The housing stock was last formally valued on 1 April 2010 and is due to be formally revalued again on 1 April 2015 under the Council's revaluation policy. An annual desktop review of changes in market prices is carried out each year, however this does not consider capital additions. IAS 16 *Property, plant and equipment* requires that components are derecognised from property, plant and equipment when they are replaced. As Council dwellings have not been fully revalued since 1 April 2010 (before IFRS was implemented) there are no separately identifiable components and therefore the Council has not derecognised any of the items replaced in the refurbishment work. However, the Code Guidance Notes for Practitioners states that the rules on the treatment of subsequent costs of replacing components do not actually require that the replaced component should have been separately identified on acquisition and subsequently depreciated. Instead, the provisions for subsequent replacement costs apply generally to parts that are replaced. It also states that if the carrying amount of the replaced part or component cannot be identified, it is usually acceptable under the Code to use the cost of the replacement as a proxy for the deemed carrying amount of the replaced part and to adjust this for depreciation and impairment. On this basis, the Council should have estimated the carrying value of the replaced items and removed them from property, plant and equipment balances, recognising a loss on derecognition, rather than impairing the assets. The Council has reclassified the entries in the property, plant and equipment note (note 12) in the latest financial statements and recognised a loss on derecognition in the CIES (within operating expenditure rather than an impairment within the cost of services). This has also involved amendments to the HRA and corresponding notes.

Misstatements (continued)	Audit issues and impact on opinion

Collection Fund (cumulative adjustments in excess of £5 million)

Our audit found that a number of entries in the Collection Fund and supporting notes did not agree to the unaudited national non domestic rates return submitted to the Department for Communities and Local Government. Our audit of the return resulted in a reduction in the losses in collection reported in the return and an associated increase in the amount payable to the national pool, by £832,000.

The presentation of national non-domestic rates in the draft Collection Fund did not meet the requirements of the Code as discretionary relief, costs of collection and allowance for impairment are required to be netted off income collectable from business ratepayers. The audit also found that write-offs of uncollectable amounts and allowance for impairment for council tax were incorrectly disclosed.

The Council has amended the financial statements to correct these issues:

- decrease discretionary relief income by £439,000
- decrease income collectable from business ratepayers by £4.058 million
- decrease the cost of collection by £511,000
- decrease the payment to the national pool by £677,000
- increase write-offs of uncollectable amounts by £992,000
- decrease allowance for impairment by £5.096 million
- increase Collection Fund surplus by £795,000.

As a result of the above amendments, further adjustments have been made to account for the Council's s share of the revised Collection Fund surplus and to correct reclassification misstatements in Collection Fund balances within debtors and creditors:

- increase council tax income in the CIES £683,000
- increase central services costs in the CIES by £198,000
- increase short term debtors by £3.358 million
- increase short term creditors by £2.873 million.

The increase in council tax income has then been reversed out of the general fund to the collection fund adjustment account through the Movement in Reserves Statement.

The comparative figures for 2011/12 in the Collection Fund have been reclassified to be consistent with the current year and the Code requirements.

Misstatements (continued)	Audit issues and impact on opinion

Housing Revenue Account (HRA) (cumulative adjustments in excess of £5 million)

Our audit has identified a number of presentational misstatements in the HRA and supporting notes, including an imbalance between the Movement in HRA Statement and the closing balance on the HRA. The following amendments have been made, which reduce the deficit for the year on HRA services disclosed in the draft financial statements by £3.304 million, although the impact on the closing HRA balance is a reduction of only £294,000:

- inclusion of £5.478 million loss on derecognition of Council Dwellings in the HRA and the 'Adjustments between accounting basis and funding basis' note to the Movement on HRA Statement (see section on Impairment of capitalised expenditure on Council dwellings above)
- inclusion of a revaluation gain of £1.193 million within the HRA and the 'Adjustments between accounting basis and funding basis' note to the Movement on HRA Statement , to agree to the property, plant and equipment note, with corresponding amendment to the 'Depreciation and Impairment' note to the HRA
- decrease of £953,000 to depreciation charged to the HRA, to agree to supporting depreciation calculations, and corresponding amendment to the Major Repairs Reserve note and the 'Depreciation and Impairment' note to the HRA
- decrease of HRA repairs and maintenance and creditor accruals by £294,000 as a result of our audit identifying 12 invoices that had been accrued for twice
- inclusion of £190,000 'pensions interest cost and expected return on pension assets' in the HRA
- inclusion of £76,000 additional charge to supervision and management costs (issue identified by the Council)
- disclosure of £953,000 as a voluntary contribution from the HRA to the major repairs reserve in the 'Adjustments between accounting basis and funding basis' note to the Movement on HRA Statement and in the Major Repairs Reserve note to the HRA
- inclusion of £266,000 for 'HRA share of contributions to pensions reserve' in the 'Adjustments between accounting basis and funding basis' note to the Movement on HRA Statement
- removal of disclosures stating a £2 million transfer to earmarked reserves in the Movement on HRA Statement and supporting note as there was no such transfer
- restatement of the opening balance on the HRA by £1.28 million for the HRA share of the prior period adjustment relating to the error on the financial instruments adjustment account
- correction to the amounts disclosed for the carrying value of non-current assets sold and the proceeds from the sale of non-current assets in the 'Adjustments between Accounting Basis and Funding Basis under Regulations' note to the Movement in Reserves Statement
- deletion of an amount of £1.04 million incorrectly disclosed as 'direct revenue financing' of the HRA in the 'Adjustments between Accounting Basis and Funding Basis under Regulations' note to the Movement in Reserves Statement.
- CIES – corrections to income and expenditure for local authority housing, as a result of these amendments made to the HRA
- note 22 – amendments to the major repairs reserve for depreciation charge, transfer to HRA balances, HRA capital expenditure and contribution from the HRA, as a result of amendments made to the HRA.

Misstatements (continued)	Audit issues and impact on opinion

Material misstatements of disclosures and notes

Property, plant and equipment (note 12)

In addition to misstatements in property, plant and equipment highlighted elsewhere in this report, our audit found a number of differences between the fixed assets register and the property, plant and equipment and investment properties notes, which indicated misstatements within the notes in the current year and prior year. In addition, we found that some transactions had not been disclosed in accordance with Code requirements.

Whilst these misstatements do not have a material impact on the overall closing net book value of property, plant and equipment or investment properties, they are cumulatively material within the note and therefore the comparatives have been restated by way of a prior period adjustment. The amendments include:

- removal of £2.543 million from both gross cost and accumulated depreciation for vehicles, plant and equipment at 1 April 2011, by way of a restatement of comparatives, to agree to the fixed assets register
- removal of £1.123 million from both gross cost and accumulated depreciation for surplus assets at 1 April 2011 to agree to the fixed assets register
- transfer of £3.757 million from both assets under construction additions (within gross cost) and derecognition (within accumulated depreciation) in 2011/12 to council dwellings additions (within gross cost) and revaluation losses (within gross cost)
- transfer of £968,000 of gross cost and accumulated depreciation from investment properties to land and buildings within the reclassifications lines in 2011/12
- write out of accumulated depreciation and impairment on revalued assets to gross cost/valuation, of £14.798m and £6.044 million in 2011/12 and 2012/13 respectively
- removal of £640,000 reclassification entry for PFI assets in 2012/13, thereby increasing the net book value of PFI assets disclosed within the note
- removal of £6.404 million from the reclassification line within gross cost/valuation of PFI assets in 2012/13, which was erroneously included in the note on componentisation of the assets
- transfer £6.552 million from the general reclassifications line for land and buildings to the 'Reclassifications to Assets held for sale' line
- inclusion of £1.238 million in derecognition lines within both cost and accumulated depreciation for land and buildings in 2012/13.

Capital commitments (note 12)

The Council disclosed £196 million as the value of capital commitments at 31 March 2013 in the property, plant and equipment note (note 12) in the draft financial statements. This included medium term financial plan information regarding the capital programme that the Council is not contractually committed to incur and therefore does not meet the definition of capital commitments. The disclosure is thus materially overstated. The Council is working to identify the correct value to be disclosed and this will be amended in the final financial statements.

Misstatements (continued)	Audit issues and impact on opinion

Senior officer remuneration (note 30)

The Council has incorrectly included employer pension contributions in salaries when calculating the numbers of officers to be included in the over £50,000 remuneration bandings.

In addition, the Council has not included any officers earning over £50,000 who are employed in schools. The Code states that whether the Council pays the salary of the person is a relevant consideration but it is not a defining characteristic. Teachers at certain categories of schools will formally be employed by the governors but might be paid through the authority's payroll. In such cases, the contract of employment will take precedence over the source of payment.

The Council has amended its financial statements for these issues, which has resulted in a net reduction of 99 employees from the note.

Exit packages (note 39)

As part of our audit of the exit packages note we reviewed payroll reports and the general ledger for evidence of any missing disclosures. We found that the Council had misstated a number of terminations of employment in note 39.

This has been corrected in the latest financial statements, which has resulted in an increase of 19 disclosed terminations and an increase in the disclosed cost of redundancies by £436,000.

Financial instrument disclosures (note 15)

The 2012/13 and comparative disclosures in the financial instruments note in the draft financial statements did not include cash and cash equivalents and bank overdraft amounts and we found misstatements in the carrying value of long term and current debtors, other long term liabilities, long term and current creditors. These will be amended in the final financial statements.

Capital adjustment account

The Council included £5.478 million for the 'use of the major repairs reserve to finance new capital expenditure' in the movement in the capital adjustment account disclosed in note 23. The amount was incorrectly stated as a positive amount rather than a negative amount, with the result that the closing balance on the account was misstated in the note and did not agree to the Balance Sheet and the Movement in Reserves Statement. This has been corrected by the Council. `

Misstatements (continued)	Audit issues and impact on opinion
	Amounts reported for resource allocation decisions note (note 27) Our audit identified a number of misstatements in Note 27, which are cumulatively material, as the note did not reconcile correctly to the CIES or agree to the directorate analysis for net expenditure outcome disclosed in the Foreword. It also did not agree to disclosures elsewhere in the financial statements in the case of depreciation, amortisation and impairment, payments to the housing capital receipts pool and loss on disposal of non current assets. The Council is in the process of revising the note in the final financial statements. **Capital financing requirement (note 35)** The minimum revenue provision of £2.588 million was omitted from the capital expenditure and capital financing note in the draft financial statements, with the result that the closing capital financing requirement and the underlying need for borrowing were both overstated. This will be corrected in the final financial statements. **Leases disclosures (note 36)** Our audit found a number of misstatements in the disclosures of minimum lease rentals/payments and asset values in the leases note. This will be corrected in the final financial statements. **Pensions disclosure (note 41)** The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in note 41 to the financial statements was disclosed as £114 million rather than £109 million. This will be amended in the final financial statements. **Non domestic rateable value** The non-domestic rateable value at 31 March 2013 disclosed in the Collection Fund (note 4) in the draft financial statements did not agree to the national non domestic rates systems or the Valuation Officer listing at 31 March 2013. The amount has been amended from £226,139,971 to £223,656,241 to agree to the underlying system. **Non-material misstatements of the primary statements and note disclosures** **Receipts in advance** Our audit testing of receipts in advance and creditor accruals within short term creditors identified a number of grant receipts amounting to £3.338 million, which the Code requires to be separately disclosed as grants receipts in advance on the Balance Sheet. Of this balance, there are a few items where there are no conditions attached to the grant that would require repayment of the funding if not spent in accordance with the grant stipulations. The Code requires that these are recognised as income, although unspent capital amounts should be transferred to the capital grants unapplied account and unspent revenue amounts may be transferred to earmarked reserves.

Misstatements (continued)	Audit issues and impact on opinion

As a result of these issues the Council has made the following amendments in the latest financial statements:

- transferred £299,000 and £354,000 from short term creditors to revenue receipts in advance and capital receipts in advance respectively
- transferred £2.374 million from short term creditors to capital grant income in the CIES and then reversed this amount out of the general fund to the Capital grants unapplied account
- transferred £311,000 from short term creditors to income in the CIES and then reversed this amount out of the general fund to revenue grants earmarked reserves.

Private finance Initiative (PFI) liabilities

We have reviewed the accounting entries relating to the Council's PFI contract. The accounting model underlying the accounting entries did not follow the methodology required by the Code. The accounting model has therefore been updated to revise the method assigning the annual unitary payment between service costs, interest payable and the repayment of the liability each year. The amendments made to the primary statements in the 2012/13 financial year include correction of a non-material misstatement in prior years. The impact of the amendment, from the draft to revised financial statements is:

- a reduction in net cost of services of £638,000
- an increase in interest payable of £1.834 million
- an increase in the PFI liability as at 31 March 2013 of £1.196 million.

There is no impact on the General Fund balance at 31 March 2013 as a corresponding amendment has been made to the Minimum Revenue Provision in the 'Adjustments between Accounting basis and Funding basis under regulations' note and the Capital Adjustment Account. No adjustments have been made to the comparator amounts shown in the financial statements. Note 37 in the financial statements has been updated to reflect the above amendments and also the analysis of future commitments under the contract.

Municipal Mutual Insurance (MMI) provision

Our audit found that the Council had provided for 28 per cent of the maximum potential levy, although the calculated provision was added to the opening provision rather than setting the closing balance. In May 2013 the scheme administrator informed the Council that it intends to set an initial levy of 15 per cent. Management has informed us that it believes that 23 per cent is a reasonable estimate for the provision. This is not unreasonable as we understand that the 15 per cent initial levy is based on the midpoint of a range of 9.5 to 28 per cent estimated by the scheme administrator's actuary.

The provision has been reduced by £481,000 in the latest financial statements to reflect the closing provision at 23 per cent and the balance has been reclassified from short term to long term provisions, including the prior period classification, as the payment is not expected to be made during 2013/14. The £481,000 reduction in liability has been transferred to earmarked reserves and therefore there is no net effect on the general fund.

Misstatements (continued)	Audit issues and impact on opinion
	Assets held for sale Our audit found that assets held for sale (AHFS) included £416,000 of land that did not meet the formal definition of AHFS. This amount has been reclassified as surplus assets within property, plant and equipment in the latest financial statements. **Investments** Our review of long term and short term investments found the impairment allowance on an Icelandic bank deposit had been incorrectly disclosed within long term investments, whereas the recoverable amount is included in short term investments at 31 March 2013. Our testing also found that the Council had incorrectly accounted for the impairment on the Icelandic Bank deposit. These misstatements have been corrected in the latest financial statements by debiting long term investments by £335,000 and short term investments by £31,000 and crediting expenditure by £366,000 (the impairment allowance charge to 'Interest payable and other charges' within 'Financing and investment income and expenditure'). **Debtors and creditors notes - classifications** Our audit of the debtors and creditors notes identified the following misclassifications, which have been amended in the latest financial statements: • debit balance of £1.135 million for amount receivable from Department for Work and Pensions for benefits subsidy incorrectly included in creditors (central government department) rather than debtors • creditor balance of £1.088 million for amounts payable to local authorities for special education needs incorrectly classified as 'other entities and individuals' rather than balances with other local authorities • amounts receivable from PCTs of £1.856 million included in other debtors rather than balances from NHS bodies • grant receivable of £347,000 from the Department for Transport included in other debtors rather then balances from central Government Departments. **Debtor for pension contributions** Our testing of a sample of sundry debtors identified a balance of £574,000, carried forward from 2011/12, in respect of pension contributions made to the Pension Fund, which should have been charged to services in the prior year. The balance has been transferred to gross expenditure on services in the 2012/13 latest financial statements, with a transfer from earmarked reserves to eliminate any impact on the closing general fund balance.

Misstatements (continued)	Audit issues and impact on opinion

Debit balances in creditors ledger

There are debit balances totalling £247,000 in the creditors ledger at 31 March 2013. Some of the balances are historic and it is possible that refunds were received but the balances were not removed from the creditor accounts. In the latest financial statements the Council has written off £119,000 in respect of the older debit balances and transferred the remaining £128,000 to debtors.

Redundancy accruals

Our audit found 13 redundancies before year end, totalling £357,000, within cultural services which had not been accrued for. However, we also found that a balance of £176,000 was being held in long term creditors for future redundancy costs in schools, where there was insufficient evidence of a constructive obligation for the liability at the balance sheet date. These misstatements have been corrected in the latest financial statements by:

- increasing cultural service costs in the CIES by £357,000
- increasing short term creditors by £357,000
- reducing education expenditure in the CIES by £176,000
- reducing long term creditors by £176,000.

However, there is no impact on the general fund as the Council has transferred a net £181,000 from earmarked reserves to cover the additional costs.

Other long term creditors

In addition to the unsupported long term redundancy liability of £176,000 reported above, a balance of £128,000 was included within long term creditors for intangible assets. This balance was carried forward from previous years, although it was included in deferred liabilities within long term creditors in the prior year. The Council was unable to provide any evidence or explanation to support this liability, and therefore in the absence of a constructive obligation, the balance was written off to corporate and democratic core costs in the latest financial statements.

Classification of benefits administration grant

Our audit found that the benefits administration grant was incorrectly allocated to service income in the draft financial statements. This has been reclassified in the latest financial statements, to reduce Cultural and related services income by £973,000, increase Other housing services income by £811,000 and increase Central services income by £162,000.

Misstatements (continued)	Audit issues and impact on opinion

Sundry creditor accruals

Our sample testing of sundry creditors found that an accrual for business rates payable by children centres owed by the Council, and corresponding expenditure, was understated by £186,000. This has been amended in the latest financial statements. We have extrapolated this error over the untested population and thereby estimate that there could be further errors in the region of £801,000 within other short term creditors. This has been included in the schedule of uncorrected audit differences at Appendix II.

Other disclosure misstatements

The following disclosure misstatements in the draft financial statements, identified by our audit, will be amended in the final financial statements:

- note 13 - direct operating expenses from investment properties, net gains from fair value adjustments and transfers to property, plant and equipment were omitted in the 'Income, expenditure and changes in fair value of investment properties' note
- note 15 – disclosures for interest expense and interest income did not reconcile to other relevant notes to the draft financial statements
- note 31 – disclosures for external audit fees did not agree to the planned audit fee notified to the Council
- note 34 – the value of payments made to the Slough Community Leisure Centre disclosed in the related parties note did not agree to the general ledger, resulting in an amendment from £593,000 to £741,000
- note 40 - the contributions paid by the Council towards teachers pensions were misstated in the note, resulting in an amendment from £3.5 million to £3.94 million
- HRA note 1 – the number of demolitions of council dwellings has been understated in the housing stock note and the number of properties at year end are therefore misstated
- HRA note 3 - the value of capital expenditure on HRA assets disclosed in the Major Repairs note was understated by £953,000
- HRA note 5 - disclosure of capital receipts from the disposal of HRA assets and the amount paid to central Government had been omitted
- HRA note 9 - disclosure of depreciation on HRA properties other than dwellings had been omitted from the note
- HRA note 10 - disclosure of pension costs and employers contributions to the pension fund had been omitted
- Collection Fund note 3 – prior year disclosures for the 'calculated numbers of dwellings' in each council tax band had been rolled forward from the prior year without updating for the position at 31 March 2013.

Misstatements (continued)	Audit issues and impact on opinion
	Comparative disclosures incorrectly rolled forward from prior year The following 2011/12 disclosures did not agree to the prior year financial statements and will be amended in the final financial statements: • note 8 - transfers in and out of earmarked reserves for specific grants and other specific earmarked reserves in the ‘Transfers to/from earmarked reserves’ note; this amendment resulted in a further £1.134 million amendment between these reserves in 2012/13 to ensure that closing balances agreed to the general ledger • note 12 (a) – amounts for derecognition, reclassification and transfers, and reclassified to Held for sale within the property, plant and equipment note • note 18 – bank overdraft balance • note 23 - disclosure of upwards and downwards revaluations in the revaluation reserve • note 24 - disclosure of interest paid and interest received in the notes supporting the cash flow statement.

Uncorrected misstatements	Audit issues and impact on opinion
We are required to report to you uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the auditors’ report, except for those that are clearly trivial. These are set out below and their potential impact is summarised at Appendix II.	**Out of date cheques in the prior year** The predecessor auditors found that the Council included out of date cheques totalling £266,000 in the accounts which were required to be written back. By correcting this issue in the current year and increasing cash and cash equivalents and crediting expenditure, the underlying deficit on provision of services in 2012/13 has been reduced by this amount There is no continuing misstatement in the balance stated at 31 March 2013. The issue affects reported financial performance for the year. **Schools balances and transactions** There are 12 schools under the Council’s control that do not process their transactions directly through the Council’s general ledger (‘non Oracle schools’). They provide the Council with quarterly returns, which are signed by the school treasurer to certify their agreement of the balances and totals. The Council processes these transactions to the general ledger by way of journal entries.

Uncorrected misstatements (continued)	Audit issues and impact on opinion
	The Council closed down its 2012/13 accounts before receipt of all returns from these schools, which meant that it had to estimate the amount of income, expenditure, debtors, creditors, cash balances and closing reserves for these schools to include in the financial statements at 31 March 2013. The estimates were based on budget information and returns from previous quarters made by the schools. We have compared the estimated balances to the returns provided by the schools and this has indicated the following differences in non Oracle schools: - £716,000 lower cash balances in the general ledger than those disclosed in the returns - £1.117 million higher creditors balances in the general ledger than those disclosed in the returns - £261,000 higher debtors balances in the general ledger than those disclosed in the returns - £381,000 lower schools reserves balances in the general ledger than those disclosed in the returns - £1.127 million higher expenditure in the general ledger than that disclosed in the returns - £64,000 lower income in the general ledger than that disclosed in the returns. These differences are not material and do not indicate any weaknesses in management's estimation techniques in this area, when considered in the context of overall ('non-Oracle') schools expenditure of £38.738 million for the year. **Componentisation of land and buildings** We have noted that for buildings revalued during the year, the Council had used the weighted average useful economic life provided by the Valuer for depreciating components that have longer lives than the weighted average, such as the structure of the buildings. We have calculated that depreciation was therefore overstated by approximately £420,000. This has not been amended in the latest financial statements as the issue will be corrected when the fixed asset register is updated during 2013/14 and the exact misstatement is calculated. **Sundry creditor accruals** As reported in the Misstatements section above, our audit of sundry creditors found an error in one of the sample items tested. We have extrapolated this error over the untested population and thereby estimate that there could be further errors in the region of £801,000 within other short term creditors. **Overall impact** The impact of correcting these items would increase the reported surplus for the year and increase the general fund (and reserves) by £2.412 million.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

SIGNIFICANT DEFICIENCIES

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
Fixed assets register	Internal Audit identified a number of weaknesses in the Council's arrangements for managing the fixed asset register in 2012/13, including: • 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 and general ledger. We also noted in our audit there are a number of fully depreciated assets in the fixed assets register. These assets have a gross cost and gross accumulated depreciation of £18.889 million.	Property, plant and equipment 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.	Management should ensure that the following recommendations raised by Internal Audit on the fixed asset register are implemented as a high priority: • a reconciliation should be completed between the Fixed Asset Register and details held by Land Registry to assist in identifying discrepancies between the Register and Land Terrier systems • the Council should embed a process whereby all assets for disposal 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. The Council should carry out a 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.	See Action Plan at Appendix V.

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
NNDR reliefs	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 in 2012/13.	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.	Management should ensure that the following recommendations raised by Internal Audit on business rates processes are implemented as a high priority: • 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 Council's transactional hub contractor should create a review timetable to ensure that regular checks are undertaken to confirm continued eligibility to reliefs and exemptions.	See Action Plan at Appendix V.

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
Register of interests	Internal Audit identified a number of weaknesses in the Council's arrangement for maintaining the register of Members' and officers' interests. 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. The Council has implemented a new register of interests system, which has largely addressed the recommendations raised by Internal Audit. However, further guidance is required to clarify what officers and Councillors are required to disclose, particularly in respect of organisations where they act on the Council's behalf.	The risk of inadequate disclosures of related party transactions in the financial statements is increased if the register of interests is not complete and accurate. .	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.	See Action Plan at Appendix V.
Schools returns	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 balances for cash, debtors, creditors and schools reserves at 31 March 2013.	Potential for error if the final outturn income and expenditure for schools has to be estimated.	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.	See Action Plan at Appendix V.

OTHER DEFICIENCES AND OBSERVATIONS

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
Bank reconciliations	A number of the year end bank reconciliations, particularly for schools and cash imprest accounts, have been completed a few days before year end. Whilst we understand the practical difficulties in completing bank reconciliations on the last day of the financial year where it falls over a weekend or holiday, the reconciliations could have been completed after year end and worked back to the 31 March 2013 position. In addition, our testing of bank balances found that there were no reconciliations for two imprest accounts, although we would note that the combined balances on these accounts were only in the region of £40,000. We experienced significant delays in our testing of bank balances as the bank reconciliations are held within service departments and are not collated centrally to support the balances in the financial statements.	Our review of bank statements from the reconciliation date to 31 March 2013 has not indicated any non-trivial transactions. However, 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.	Management should ensure that all year end bank reconciliations are completed to reflect bank statement and cash book balances as at 31 March. As part of the accounts closedown process the finance team should obtain copies of all bank reconciliations carried out within departments and ensure that they adequately support the balances in the financial statements.	See Action Plan at Appendix V.
Purchase orders	Internal Audit's testing found that for 15 out of 20 expenditure controls tested, the purchase requisition was created after the invoice was received.	Whilst no payments can be made until invoices are appropriately authorised, good practice indicates that purchase requisitions should be 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.	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.	See Action Plan at Appendix V.
NNDR journals	During the audit it was noted there are inadequate controls over authorisations of NNDR journals, particularly in respect of refunds.	The Council could incur losses if there is insufficient approval of journals in areas such as NNDR refunds.	Management should ensure that refunds to business ratepayers are appropriately authorised by an NNDR manager before being processed.	See Action Plan at Appendix V.

We made the observations reported to you above during the course of our normal audit work.

MATTERS REQUIRED TO BE REPORTED BY OTHER AUDITING STANDARDS

Whole of Government Accounts (WGA)	Audit issues and impact on opinion
We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	We have not yet received the Council's WGA return as the Council is still making amendments to the financial statements. The findings from our review of the consistency of the return with the audited financial statements will be circulated the Audit and Risk Committee when available.

Annual Governance Statement	Audit issues and impact on opinion
We have reviewed the draft Annual Governance Statement and are satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report.

USE OF RESOURCES - KEY AUDIT MATTERS

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

In accordance with our Audit Plan, our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria:

- the organisation has proper arrangements in place for securing financial resilience
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria for 2012/13 is:

- 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 is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity
- undertaking other local risk-based work, as appropriate.

Financial resilience	Audit issues and impact on opinion
Our financial resilience risk assessment considered the Council's arrangements for financial governance, financial planning and financial control. Our detailed work also considered the Council's arrangements for managing financial risks and opportunities and securing future financial stability. Our risk based planning identified that the Council needed to address identified budget shortfalls and manage the uncertainties over future income streams. **Key Findings** The Council's financial governance arrangements provide clear leadership on financial matters through the work of the Cabinet and the Corporate Management Team. The Council's financial performance and associated financial risks are consistently understood across the organisation with financial management information regularly reported to the Cabinet and the Overview and Scrutiny Committee. Amongst officers, financial responsibilities are clearly assigned and the Corporate Management Team oversees the corporate response to expenditure pressures, other financial risks emerging in the year and the overall achievement of the annual budget. Financial training courses are provided to employees managing budgets and Members are also periodically invited to attend financial presentations.	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. Action is needed to further strengthen arrangements for preparing the annual financial statements and to embed these effectively

Financial resilience	Audit issues and impact on opinion
Financial Planning is embedded across the organisation through the annual budget setting process. The process is set out within the Medium Term Financial Strategy (MTFS), which provides an overview of the key stages and the associated timeframe and defines the framework and financial envelope within which the budget is set. The MTFS also defines the roles and responsibilities of the internal and external forums involved in the consultation on, and the approval of the budget at key stages. As part of this process, officers are required to develop savings proposals, which are presented to the Corporate Management Team and then Members, where achievability is challenged. The MTFS covers a five year period and is updated annually for approval by the Council in February each year. Reports on progress made in updating the MTFS are presented to Cabinet periodically throughout the year. The Council's arrangements for ensuring financial budgetary control are effective and Internal Audit provided 'substantial' assurance over budgetary control and management accounts reporting procedures for 2012/13. Budget reports are considered monthly by Directorate Management Teams and this is supported by an established budget monitoring process by managers and finance staff. The Corporate Management Team receives monthly reports setting out key issues, risk areas and progress to resolve issues and quarterly reports providing a full analysis of Directorate performance. Overall the Council achieved its budget plans for the year. An overspend was reported by the Children and Families Directorate due to increasing demand for services and the additional investment required to ensure the improvement plan for the service was progressed. Positively, the Council exceeded its £8.3 million savings target for the year, mainly due to the early implementation of savings schemes in Adult Social Care services. The general fund balance as at 31 March 2013 (per the unaudited financial statements) remained in line with the previous year and at the Council's benchmark level. Useable reserves have increased by £26.1 million from the prior year (per the unaudited financial statements) although this is largely due to an increase in capital grants unapplied which will be released as the grant funding is spent. The most recent MTFS indicates that the financial position is balanced for the 2013/14 period and officers have identified savings of £9.6 million to achieve this, which is above the original MTFS requirement for the year of £4.4 million. There is a cumulative resource gap of £18.5 million for the following four years, including £4.3 million in 2014/15 and £3.3 million in 2015/16. Officers are reviewing various options to address identified resource gaps, including further reducing expenditure and increasing efficiency savings, opportunities for joint working with other local authorities (such as a shared service for Adult Learning services), securing further procurement efficiencies and increasing income streams. The Council anticipates further savings will be secured through its transactional services hub, as further services are included in the hub and its work becomes embedded in the Council's operations.	

Financial resilience	Audit issues and impact on opinion
The Council has undertaken a benchmarking exercise to compare costs and Value for Money with other unitary councils. This indicates that the Council has areas of higher and lower comparative costs across some of its service areas. However, the reasons are well understood within the Council and the higher relative costs arise because of the Council's decision to invest in the services in line with its policies and priorities, and will also be utilised to help inform where further savings can be achieved going forward through the Medium Term Financial Strategy. The Council has invested in its financial management resource and temporary posts are now permanently filled. The new team is considering ways to improve financial governance, planning and internal control processes to achieve efficiencies, for example quarterly Governance reports to the Audit and Risk Committee, more integrated performance and finance reports, regular Treasury Management Group meetings and formulating a risk based approach to the monthly meetings with budget holders. The outcome of our audit of the 2012/13 financial statements is summarised earlier in this report and contains recommendations which the Council has accepted to further strengthen arrangements for preparing the annual financial statements and to embed these effectively.	

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
Our risk assessment and review of economy, efficiency and effectiveness has considered the Council's arrangements for prioritising resources within tighter budgets and improving efficiency and productivity. **Key findings in response to audit risks** **Outsourced services for transactional systems** The Council has an agreed governance structure for managing its contract with the transactional hub provider, through a Strategic Board, Operational Board and other informal meetings. Internally, the performance of the contract (and the Partnership) is reported to the Corporate Management Team and the Overview and Scrutiny Committee. The Partnership has an Annual Service Plan which sets out activities over the next 12 months and how such activity will be planned, managed and monitored to ensure individual service objectives are achieved. There is also a joint improvement plan that has been developed collaboratively with the contractor. Internal Audit reviewed the governance structure and contractual performance management processes and reported 'substantial' and 'reasonable' assurance respectively for these arrangements. The Council is in the process of revising the key performance indicators (KPIs) stated in the contract to ensure these further underpin its priorities for debt management and cash collection. As part of this exercise the Council is developing a documented methodology for the revised indicator set and procedures for validating the indicator scores received from the contractor.	We have no issues to report

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
Management reported the following achievements (amongst others) for the first year of the Partnership's operation to the Overview and Scrutiny Committee in April 2013: • a joint established approach to integrating new legislation such as the Council Tax Support Scheme and the Benefits Cap • KPI performance for the year reports an overall positive direction of travel in most areas with improved Council Tax collection rate in-year • completion of work to cleanse the NNDR database, including the valuation lists and balances on accounts, which has resulted in an increase in collection rates • administration of benefit performance was adversely affected through an increased workload, though performance in processing new claims and change of circumstances matched prior year's performance on a month by month basis. The improvements in Council Tax collection rates in 2012/13 were marginal. However, management expects these to improve further as the contract becomes embedded. In December 2012 the Cabinet agreed that officers should engage in negotiations with the transactional services provider to assume responsibility for the Customer Service Centre and ICT services. An update was provided to the Overview and Scrutiny Committee in April 2013. At that time, the potential savings arising from the contract enhancement were not finalised but the Committee recognised economies of scale could be achieved through the further outsourcing and enhanced contract. Specifically, through the provider's increased buying power in terms of investment in IT and the wider economic benefits from the growth of its business in Slough. Associated with this, the Council is working with the provider and other partners to implement a new general ledger system. Management expects to secure significant savings in software licensing costs from this project.	

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
Local asset backed vehicle (LABV) The Slough Regeneration Partnership LLP was created and a partnership agreement was signed in March 2013. A partnership business plan has been agreed which covers the strategic, operational business and governance framework of the Partnership. The work of the Partnership is overseen by a Business Board and a Community Projects Board and there is Council representation at Director level on both Boards. Slough has contacted other Councils to ensure available learning on managing significant capital regeneration projects is understood and has seconded an officer from another Authority to provide additional expertise in this area. Management is reviewing the Council's governance structures in relation to the Partnership to ensure that the role of the Capital Strategy Board, in approving assets for inclusion in the LABV, is formalised and that effective procurement processes are embedded. The Partnership is in its early stages and no Council assets have been transferred to date. It is therefore too early to assess whether value for money is being achieved from the arrangement. However, the Council is aware of the key risks associated with the Partnership and is taking appropriate steps to mitigate these.	The Council should work with partners to develop an appropriate suite of key performance indicators for the LABV and performance should be regularly reviewed at the partnership boards.

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
Joint Health and Wellbeing Board The Slough Wellbeing Board worked in shadow form from November 2011, taking on responsibility for the work of the Local Strategic Partnership in this area. It became fully operational on 1 April 2013, meeting the Government's deadline. The Slough Joint Wellbeing Strategy (SJWS) 2013 – 2016 was approved by the Cabinet in January 2013, after approval by the Health Scrutiny Panel. The strategy built upon the priorities set out in the Council's previous Sustainable Community Strategy and the evidence supporting the Joint Strategic Needs Assessment, ensuring the outcome of the previous community consultation and engagement process were retained. In developing the SJWS and the Slough Wellbeing Board structure, the Council commissioned external consultants to assist in scoping priority needs, determining appropriate models of health and wellbeing for Slough and modelling organisational structures for the integration of public health. This work involved extensive consultation with strategic partners and other stakeholders). The SJWS places particular emphasis on the wider determinants of health which are key to improving the wellbeing of residents, and includes priorities in respect of health, economy and skills, housing, regeneration and environment, and safer communities. The implementation of the SJWS is being taken forward through six Priority Delivery Groups (PDGs) and various sub-groups. We understand PDGs are currently finalising their balanced performance scorecards and reporting arrangements, while developing appropriate milestones. A performance monitoring tool has been drafted for the Slough Wellbeing Board, based on a suite of key performance indicators selected by the Board for each priority area. The aim is to develop regular performance reports to the Board, underpinned by more detailed progress reports from the PDGs. The work of the Wellbeing Board will be subject to scrutiny through Slough's Overview and Scrutiny Committee and through the Health Scrutiny Panel. A protocol has been developed to clarify the scrutiny responsibilities. Other protocols have also been developed to clarify relationships with other Boards, such as the Slough Children and Young People's Partnership Board, to ensure there is no duplication of work. A protocol has not yet been developed for the work of 'Healthwatch' (the independent body representing patients and service users.	We have no issues to report.

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
Localisation of Council Tax Benefits In December 2012 the Cabinet approved a new Council Tax support scheme to replace the previous Council Tax benefit scheme which the Government abolished on 31 March 2013. The impact of the legislation reduced the support provided by the Government by 10 per cent of Slough's benefit administration costs. This amounts to reduced subsidy of £1.1 million for the Council, based on 2011/12 subsidy income levels. The Council consulted with residents during the third quarter of 2012/13 and reported the results of the consultation to the Cabinet in December 2012. The general consensus was that all residents of working age should make a contribution to the Council's funding and that the most vulnerable members of the community should be supported by the Council's new support scheme. Following the consultation, the impact of the potential adjustments to Council Tax benefit was modelled to ensure that increases in Council Tax income under the new scheme offset the reduction in Government funding. In implementing the new scheme, the Council took steps to ensure clear communication of the changes to the residents affected. The extension of the Council Tax base to residents who did not previously pay Council Tax represents an increased risk of arrears accumulating. Whilst it is too early to determine the full impact on Council Tax collection rates, a working group is in place to determine the financial outcome of the new scheme and the impact on collection rates continues to be monitored closely.	We have no issues to report
Approach to implementing recommendations made by auditors Internal Audit has provided an overall unqualified opinion on the Council's arrangements for governance, risk management and control for 2012/13. However, it has provided 12 'red' (no assurance) opinions and 20 'amber red' opinions, out of 55 audits carried out. The red opinions relate to: • financial management in schools (five schools) • declaration of interests • business rates • contract management • contract management – block nursing contracts • safeguarding children – risk assessment process • procurement – on-going reviews • asset register. We note the risk based programme of work Internal Audit agreed with management resulted in audit work being focused on areas where management felt there was scope for improvement and where control weaknesses were known.	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.

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
In March 2013 the Council implemented a formal process to log and track recommendations made by Internal Audit. All high and medium priority recommendations are now recorded when Internal Audit reports are finalised. The Risk and Insurance Officer regularly monitors progress by obtaining updates from responsible officers and an implementation score is allocated to each recommendation to reflect the stage of completion. A summary of the latest results was reported to the Audit and Risk Committee in June 2013 and this showed that 45 per cent of recommendations made by Internal Audit that were due to be implemented by the end of May 2013 had been actioned. This increases to 75 per cent if schools are excluded. No management updates were received for 16 per cent of the recommendations. Progress is expected to improve as the monitoring process becomes embedded. The responses provided by management will be audited when Internal Audit follows up on their recommendations in the following year. An update for each of the recommendations raised by the predecessor auditors in their Annual Governance Report was also reported to the Audit and Risk Committee in June 2013 and a log of all external audit recommendations will also be maintained going forward. There are plans for the recommendation trackers to be regularly monitored by the Audit and Risk Group and reported to the Corporate Management Team and the Audit and Risk Committee on a quarterly basis.	
Other findings **Performance towards corporate priorities** The Council reported positive performance in many areas in 2012/13 and 22 out of 31 (72 per cent) of the key performance indicators in the Council's balanced scorecard met or exceeded the published target for the year. The direction of travel was positive for 17 of the 31 indicators (55 per cent). In addition, the Council reported that four out of seven of its 'Gold' (high priority) projects' have been concluded in the year. **Children's Services - reports by the external regulator** In April 2011 Ofsted carried out an unannounced inspection of the Council's safeguarding services and concluded that the effectiveness of the service was inadequate (below minimum requirements). In the aftermath of the inspection, the Council undertook a comprehensive review of the service with its key strategic partners and involving peer support as directed by Ofsted. A Safeguarding Improvement Plan was published and achievement monitored by a newly established Improvement Plan Project Board. The Council took immediate action to implement Ofsted's recommendations to improve the leadership and management of the service and address the examples of poor professional practice found at the time of the inspection. The Council continues to focus on the performance of individual practitioners and the quality of work and case files produced. In 2012/13 and to date, the Improvement Plan Project Board continues to oversee outcomes following the implementation of the Improvement Plan. Improvement in the service is one of the Council's 'Gold' projects, with the Cabinet receiving regular reports on progress. Ofsted has now updated its methodologies and the Council has not yet been inspected under the new arrangements.	We have no issues to report.

BDO CONCLUSION

Our value for money conclusion is based on considering our overall risk assessment, focusing on the two criteria set by the Audit Commission, and the results of risk based audit work, as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in your Annual Governance Statement.

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. We propose issuing an unqualified value for money conclusion.

AUDIT OBSERVATIONS

Finance department performance

Area of responsibility	Performance	Performance
Full audit file presented on day 1 of audit with supporting documentation	Improvement required	
Monthly reconciliations performed on key areas such as bank reconciliations, debtors ledger	Fair	
Quality of finance team	Fair	
Local finance department appropriately resourced	Improvement required	
Draft financial statements provided to auditor by 30 June	Good	
Quality of draft financial statements	Improvement required	
WGA return prepared and submitted by 14 August	Improvement required	
Reliance on manual controls	Good	
Proper audit trail	Improvement required	

We made the observations reported to you above during the course of our normal audit work.

Performance: ■ Good ■ Fair ■ Improvement required

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Slough Borough Council
Management	The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.
Those charged with governance	The person(s) with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council is the Audit and Risk Committee.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom 2012/13
CIES	Comprehensive Income and Expenditure Statement
SeRCoP	Service Reporting Code of Practice for Local Authorities 2012/13
WGA	Whole of Government Accounts

APPENDIX II: UNADJUSTED AUDIT DIFFERENCES

We are required to bring to your attention unadjusted audit differences that the Audit and Risk Committee are required to consider. A schedule of such adjustments is included below and, with the exception of the errors that relate to prior year misstatements, we request that you correct them. Identified misstatements for the current year should, where practicable, be corrected even if not material.

The predecessor auditors reported that the Council had out of date cheques totalling £266,000 which were required to be written back. By correcting this issue in the current year, by increasing cash and cash equivalents and crediting expenditure, the underlying deficit on provision of services in 2012/13 has been reduced by this amount. There is no continuing misstatement in the balances at 31 March 2013. However, as this impacts only on the reported performance for the current year, it has been included in the table below.

There are three unadjusted audit differences identified by our audit work for the current year, which would increase the surplus on the final CIES and increase net assets by £2.412 million. Management considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement.

		CURRENT YEAR		*PRIOR YEAR*		
	CIES	*INCOME*	*EXPENSES*	*INCOME*	*EXPENSES*	**NET ASSETS OR**
	(OVER) / UNDER	*(OVER) / UNDER*	*(OVER) / UNDER*	*(OVER) / (UNDER*	*(OVER) / UNDER*	**RESERVES OVER / (UNDER)**
UNADJUSTED AUDIT DIFFERENCES	**£'000**	*£'000*	*£'000*	*£'000*	*£'000*	**£'000**
Surplus for the year and net assets before adjustments	**(1,373)**					**285,603**
Impact of prior year misstatements (no adjustment required in 2012/13)						
(1) Out of date cheques that have been written back in 2012/13 rather than 2011/12						
Dr Gross expenditure			*266*			
Cr Opening general fund					*(266)*	
Misstatements identified in the current year						
(2) Differences between estimated schools balances and schools returns: We have compared the estimated balances to the returns provided by the schools and this has indicated the following differences:						
Dr Cash and cash equivalents						**716**
Dr Short term creditors						**1,117**
Cr Short term debtors						**(261)**
Cr Schools reserves						**(381)**
Cr Expenditure – Education and children's services	**(1,127)**		*(1,127)*			
Cr Income - Education and children's services	**(64)**	*(64)*				

UNADJUSTED AUDIT DIFFERENCES	CIES (OVER) / UNDER £'000	CURRENT YEAR INCOME (OVER) / UNDER £'000	CURRENT YEAR EXPENSES (OVER) / UNDER £'000	PRIOR YEAR INCOME (OVER) / (UNDER £'000	PRIOR YEAR EXPENSES (OVER) / UNDER £'000	NET ASSETS OR RESERVES OVER / (UNDER) £'000
(3) Estimated overstatement of depreciation on land and buildings due to use of weighted average useful economic life rather than actual economic life provided by the valuer: Dr Property plant and equipment, accumulated depreciation Cr Depreciation in CIES Dr General Fund Cr Capital Adjustment Account	**(420)**		*(420)*			**420** **420** **(420)**
(4) Potential overstatement of short term creditors as a result of extrapolation of identified errors over the untested population: Dr Short term creditors Cr Expenditure	**(801)**		*(801)*			**801**
TOTAL UNADJUSTED AUDIT DIFFERENCES	**(2,412)**	*(64)*	*(1,281)*		*(266)*	**2,412**
Surplus for the year and net assets if adjustments made	**(3,785)**					**288,015**

UNADJUSTED DISCLOSURE MATTERS

The following unadjusted disclosure matter was noted:

In common with other local authorities, the financial commentary in the Foreword is presented in the Council's budget format, which differs to the presentation in the Comprehensive Income and Expenditure Statement. Likewise, capital information is presented in accordance with the capital programme format, which differs from the financial statements. The 'Amounts reported for resource allocation decisions' note in the financial statements provides a reconciliation of income and expenditure. There is no equivalent reconciliation in the financial statements for capital. It would be preferable if the Council included reconciliations in the Foreword for income and expenditure and capital.

APPENDIX III: MATERIALITY

MATERIALITY	
Planning materiality	£4,200,000
Final materiality	£4,200,000
Clearly trivial threshold	£125,000

Planning materiality of £4.2 million for the Council was based on 1% of average gross expenditure over the past three years. The figure was based on the full year outturn per the draft financial statements and we have no reason to revise this figure for our final materiality level.

APPENDIX IV: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
ROBERT GRANT - Audit engagement partner	1	2016/17
TIM DREW - Engagement quality control reviewer	1	2016/17
JANINE COMBRINCK – Audit manager	1	2016/17
NEIL JENNER – Assistant audit manager	1	2016/17

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors.

We confirm that the firm complies with the APB Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: ACTION PLAN

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	**RECOMMENDATIONS**	**PRIORITY**	**MANAGEMENT RESPONSE**	**RESPONSIBILITY**	**TIMING**
Working papers 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.	Management should carry out a detailed review of its 2012/13 closedown process to identify how improvements can be made. 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.	High	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 The BDO working paper request will be reviewed and will form a core part of the closedown process.	Assistant Director, Finance & Audit	March 2014
Related party disclosures 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.	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.	Medium	Review of matching Related Party Transactions to the finance system to take place as part of the closedown procedures for 2013/14.	Corporate financial controller	March 2014
Property valuations 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.	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.	Medium	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 The depreciation of the leased assets will be amended.	Corporate Financial Controller	March 2014

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Depreciation of non-current assets : Useful economic lives (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. (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. (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.	(a) Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets. (b) The fixed assets register should be updated to ensure that all assets are appropriately depreciated in accordance with the Code requirements. (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.	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
Periodic income and expenditure 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.	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.	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

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	**RECOMMENDATIONS**	**PRIORITY**	**MANAGEMENT RESPONSE**	**RESPONSIBILITY**	**TIMING**
Accrual for special education needs 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. We are therefore unable to assess whether the accrual is reasonable.	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.	Medium	Going forward, this accrual will not be required as the recoupment budget has been removed from Councils and transferred to Schools.	n/a	n/a
HRA share of corporate and democratic core costs 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.	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.	Low	The Council is undertaking a review of charges made to and from the HRA in the Autumn 2013.	Finance Manager; CCS / RHR	December 2013

INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Fixed assets register Internal Audit has identified a number of weaknesses in the Council's arrangements for maintaining the fixed assets register: • 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. 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. 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.	Management should ensure that the following recommendations raised by Internal Audit on the fixed asset register are implemented: • 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. 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. 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.	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 t registered in the name of the Council.	Corporate Financial Controller	February 2014

INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	**RECOMMENDATIONS**	**PRIORITY**	**MANAGEMENT RESPONSE**	**RESPONSIBILITY**	**TIMING**
Business rates reliefs 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. 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.	Management should ensure that the following recommendations raised by Internal Audit on business rates processes are implemented as a high priority: • 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	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. A review timetable will be in place once a permanent inspector is in place for empty property inspections.	Transactional Services	February 2014
Register of interests Internal Audit identified a number of weaknesses in the Council's arrangement for maintaining the register of Members' and officers' interests. 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. 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.	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.	High	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.	AD, Professional services	AD, Professional services

INTERNAL CONTROL RECOMMENDATIONS					
CONCLUSIONS FROM WORK	**RECOMMENDATIONS**	**PRIORITY**	**MANAGEMENT RESPONSE**	**RESPONSIBILITY**	**TIMING**
Schools returns 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.	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.	High	To be completed as part of the 2013-14 closedown review programme.	Financial Manager (Wellbeing)	March 2014
Bank reconciliations A number of the year end bank reconciliations, particularly for schools and cash imprest accounts, have been completed a few days before year end. 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.	Management should ensure that all year end bank reconciliations are completed to reflect bank statement and cash book balances as at 31 March.	Medium	The council will set out procedure notes for bank reconciliations ensuring they reflect balances as at 31 March.	Corporate Financial Controller	March 2014
Purchase orders Internal Audit's testing found that for 15 out of 20 expenditure controls tested, the purchase requisition was created after the invoice was received. 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.	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.	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

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

USE OF RESOURCES RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
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.	Management should continue to work with budget holders to identify savings schemes to address resourcing gaps over the medium term.	High	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.	Assistant Director, Finance & Audit	February 2014
Slough Regeneration Partnership There are currently no agreed key performance indicators in place for the LABV.	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.	High	This recommendation should be for the Council to develop an appropriate suite of performance indicators to be considered.	Assistant Director, Finance & Audit	January 2014
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.	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.	High	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.	Assistant Director, Finance & Audit	On-going

APPENDIX VI: FEES SCHEDULE

The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within our Audit Plan.

We will carry out a detailed comparison of actual audit costs incurred against planned costs when we have completed the audit and discuss any impact on the planned fee of £184,960 for the audit of the 2012/13 financial statements and use of resources with management, before we report the final fee outturn.

APPENDIX VII: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
	22 October 2013	Management and those charged with governance	Report to Audit and Risk Committee
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	Not an issue	Not an issue	Not an issue
Misstatements, whether or not recorded by the entity	✔	✔	✔
The final draft of the representation letter	✔	✔	✔
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern	Not an issue	Not an issue	Not an issue
Disagreements with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or our audit report	Not an issue	Not an issue	Not an issue
Expected modifications to our audit report or inclusions of emphasis of matter / other matter	Not an issue	Not an issue	Not an issue
Significant deficiencies in internal control	✔	✔	✔
Any other matters warranting attention by those charged with governance, such as questions regarding management integrity, and fraud involving management	Not an issue	Not an issue	Not an issue
Management judgements and accounting estimates	✔	✔	✔
Other information in documents containing audited financial information	✔	✔	✔
Consultation with other accountants	Not an issue	Not an issue	Not an issue
Major issues discussed with management	Not an issue	Not an issue	Not an issue

APPENDIX VIII: DRAFT REPRESENTATION LETTER

BDO LLP
55 Baker Street
London
W1U 7EU

22 October 2013

Dear Sirs

Financial statements of Slough Borough Council for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Slough Borough Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the requirements of applicable law.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of directors and officers of the Council, the following representations given to you in connection with your audit of the Council's financial statements:

FINANCIAL STATEMENTS

Responsibility for financial statements

I acknowledge as the Assistant Director of Finance and Audit and s151 Officer my responsibilities for the Statement of Accounts, which include the financial statements, and for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and have been prepared in accordance with the requirements of applicable law.

Significant assumptions

I confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

(a) Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

• Rate of inflation (RPI)	3.4%
• Rate of inflation (CPI)	2.6%
• Rate of increase in salaries	4.55%
• Expected return on assets	2.6%
• Rate for discounting scheme liabilities	4.6%

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Carrying value of land and buildings

I am satisfied that the carrying value of land and buildings is materially consistent with the fair value at 31 March 2013, and that with the exception of council dwellings, no adjustment is required to those assets that were revalued as part of the five-year rolling programme in previous years.

Accounting policies

I confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate.

Plans or intentions

I confirm that the Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims, the effects of which should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the applicable financial reporting framework.

Related parties

I confirm that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the applicable financial reporting framework.

Subsequent events

All events occurring subsequent to the date of the financial statements for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Uncorrected misstatements

You have brought to my attention potential misstatements in the financial statements as listed in the appendix to this letter. I do not wish to amend the financial statements to reflect any of these items as I believe that they are immaterial both individually and in aggregate to the view given by the financial statements as a whole. A list of these items is attached as an appendix to this letter.

Going concern

I confirm that I am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

Comparative information

I confirm that comparative figures have been restated for material errors identified in balances at 1 April 2011 and 31 March 2012 and that the restatement is necessary to present a true and fair view of the 2012/13 financial statements.

Property, Plant and Equipment (PPE) - Componentisation

I confirm that, in respect of the PPE assets reviewed for possible componentisation within the Fixed Assets Register, I have reviewed the impact on the depreciation charge arising from the application of differing useful economic live to the separate components and am satisfied that it is not materially different from applying a single useful economic life to the entire asset value.

Fully Depreciated Plant and Equipment

I confirm that, in respect of plant and equipment assets included at nil carrying value on the balance sheet, and where the cost has been fully depreciated, the value of such assets to the Council is immaterial.

Grant income

I confirm that the judgements in assessing whether or not to defer recognition of unspent grants are reasonable and in accordance with the Code and CIPFA's guidance. In particular, the Council has recognised income from grants at the date of approving the Statement of Accounts because there is a reasonable expectation the resources will be spent, including where grant terms state the funding organisation may recover any unspent grant.

Independent confirmation of bank balances

You highlight in your report that two banks have not provided independent confirmation of the amounts deposited by the Council as at 31 March 2013. I can confirm that for these accounts, there are no covenants or contingent liabilities to be disclosed in the financial statements.

Schools transactions

You have highlighted the Council's basis of estimating balances and transactions for schools as at 31 March 2013. I am satisfied the Council's approach is reasonable and would not lead to a material misstatement of the amounts involved.

Accumulated Absences accrual

I am satisfied my conclusion that no Council staff (non-teaching staff) have accumulated any annual leave as at 31 March 2013 is a reasonable one and my estimate of the overall accumulated absences accrual (as at 31 March 2013) is materially correct.

Cash and cash equivalents

I confirm that bank balances to the sum of £525,000 held by the Council at year end in respect of schools that became academies during the year, belong to the Council and the amounts are not owing to the schools.

I also confirm that private fundraising bank accounts held by schools under the Council's control, to the sum of £364,000, are correctly excluded from the Council's bank balances as the Council does not have control, either directly or indirectly, over these funds.

Provisions

I confirm that provisions for insurance claims represent constructive obligations and are disclosed as current liabilities in the financial statements as they expected to be settled in the next year.

INFORMATION PROVIDED

Completeness of information

All the accounting records have been made available to you for the purpose of your audit. I have provided you with all other information requested and given unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence. All other records and related information, including minutes of all management and Committee meetings held during the year and up to the date of this letter have been made available to you.

All transactions undertaken by the Council have been recorded in the accounting records and are reflected in the financial statements.

There is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Internal Control

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have communicated to you all significant deficiencies in internal control of which I am aware.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I have disclosed to you my knowledge of fraud or suspected fraud affecting the Council involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements

I have disclosed to you my knowledge of any allegations of fraud, or suspected fraud affecting the financial statements communicated to me by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

I am not aware of any actual or possible instances of non-compliance with laws and regulations whose effects should be considered when preparing the financial statements of the Council.

Related parties

I confirm that I have disclosed to you the identity of the Council's related parties, related party relationships and transactions of which I am aware.

Liabilities, contingent liabilities or guarantees

There are no liabilities, contingencies or guarantees to third parties other than those disclosed in the financial statements.

Title to assets

The Council has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

Contractual agreements

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Yours faithfully

Joseph Holmes
Assistant Director of Finance and Audit

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts, which include the financial statements. The Acting Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which include the financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in the appendix to this letter together with the explanations provided by the Assistant Director of Finance and Audit for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor Nazir
Chairman of the Audit and Risk Committee

For and on behalf of Slough Borough Council

www.bdo.co.uk