



SLOUGH BOROUGH COUNCIL

Annual Audit Letter 2012/13

October 2013

EXECUTIVE SUMMARY

Background

This Annual Audit Letter summarises the key issues arising from the work we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders and members of the public.

The Audit Commission will publish this letter on its website after 1 November 2013. The Council should also publish the letter on Slough Borough Council's website.

Responsibilities of auditors and the Council

We were appointed as the Council's independent external auditors with effect from 1 April 2012 by the Audit Commission, the body responsible for appointing auditors to local public bodies in England. As the external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Scope of the audit

Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission and whether we have exercised our statutory powers under the Audit Commission Act 1998 on any matter.

Our work on the audit of the grant claims and other returns is in progress and we will report the findings from this work separately.

Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Key findings

	STATEMENT OF ACCOUNTS
1	Our audit of the financial statements for the period ended 31 March 2013 is due to be completed by 31 October 2013. Our Annual Governance Report was considered by the Audit and Risk Committee on 22 October 2013 when the revised financial statements were approved. We expect to issue an unqualified opinion. Our audit opinion was not given by the statutory deadline of 30 September 2013 and we reported the reasons for the delay to the Audit and Risk Committee and the Council (in September 2013). Our Annual Governance Report contains a range of recommendations for strengthening Slough's arrangements for preparing the annual financial statements officers will be implementing.
	USE OF RESOURCES
2	We will be issuing an unqualified value for money conclusion. We found some strengths in the Council's arrangements for ensuring financial resilience and other positive outcomes in the areas of significant risk we identified for securing economy, efficiency and effectiveness in the use of resources.
	OTHER MATTERS
3	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). The delay in completing the audit of the 2012/13 financial statements also delayed the completion of our audit of the final Whole of Government Accounts return. The Government's deadline for submitting the audited return was therefore not met. Our review of operational performance found the Council reported positive performance in many areas in 2012/13. There is scope to improve further the performance management approach.

STATEMENT OF ACCOUNTS

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OPINION

We anticipate issuing an unqualified true and fair opinion on the financial statements by 31 October 2013.

Financial statements

The audit of the 2012/13 financial statements has been challenging. Significant additional audit resources were required to progress our audit work. The Finance Team has also undertaken additional work to respond to audit queries and prepare the revised financial statements for approval. Previous audit reports have detailed the difficulties the Council has had in closing the financial statements and the predecessor auditors highlighted the need to ensure sufficient, permanent resource was available to the Finance Team. The more significant issues arising from our audit were:

- the Council's arrangements for preparing and publishing the annual financial statements are not fully effective. In particular, the closedown timetable does not allow sufficient time to complete a critical review of the financial statements before submission to external audit. In addition, the audit trails and working papers made available to us when our fieldwork commenced were incomplete and in many areas did not support the balances contained in the draft financial statements
- roles and responsibilities for producing data and other information for consolidation into the financial statements are not consistently understood across the organisation. In particular, we found inconsistent understanding of accounting policies (in accruing expenditure for instance) and the scope and extent of evidence necessary to support management estimates
- the draft financial statements presented to us on 30 June 2013 contained material and other significant errors and inconsistencies. Some material errors affected the opening balances (the audited closing balances for period ended 31 March 2012) which meant we identified a pervasive audit risk and additional audit procedures were completed on the opening balances accordingly.

The Council has taken action to strengthen the capacity of the Finance Team through the permanent appointment of senior officers (in April 2013). However, strong leadership is required to establish and then embed an effective closedown programme and timetable for preparing and publishing the annual financial statements. The Audit and Risk Committee has established procedures to monitor the implementation of internal and external audit recommendations to oversee this process.

Internal controls

Working with internal audit, we found significant deficiencies in the Council's systems for:

- maintaining the fixed assets register
- authorising and confirming on-going entitlement to reliefs granted to business ratepayers (deficiency now addressed)
- declaring Members' and officers' interests (this issue has now been substantially addressed).

We completed additional audit procedures to gain assurance that the balances produced by these systems were materially correct. Management has agreed to review the deficiencies and strengthen internal controls.

USE OF RESOURCES

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CONCLUSION

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. We will be issuing an unqualified value for money conclusion by 31 October 2013.

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:

- 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.

Financial resilience

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 information regularly reported to the Cabinet and the Overview and Scrutiny Committee. Amongst officers, financial management 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. The outcome of our audit of the 2012/13 financial statements is summarised earlier in this letter and we have made recommendations which the Council has accepted to strengthen arrangements for preparing the annual financial statements and to embed these effectively.

The Council spent around £400 million on services in the year which was in line with expenditure plans. The net budget requirement to be resourced from council tax and other income was £105 million. While some overspends were identified early in the year, management action ensured the overall budget was met. The Council's arrangements for managing its budgets continued to work well throughout the year. earmarked reserves as at 31 March 2013 amount to £30.5 million which is in line with the Medium Term Financial Strategy (MTFS). The General Fund balance amounts to £8.1 million and is considered to be sufficient based on the Chief Financial Officer's assessment of future spending plans, identified financial risks and to protect the Council from unforeseen events

The 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 £30 million for the next four years (2013 to 2017), including about £12 million in 2014/15 and £7 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.

Challenging economy - efficiency - effectiveness

Our risk assessment and review of economy, efficiency and effectiveness considered the Council's arrangements for prioritising resources within tighter budgets and improving efficiency and productivity. Our key findings in response to such risks are the Council:

- has appropriate governance and performance monitoring arrangements in place for managing its contract with the transactional services provider. Management has reported a number of positive achievements for the first year of the Partnership's operation
- 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
- has taken appropriate steps to establish the Slough Wellbeing Board with its partners
- 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 assurance is required to ensure that all outstanding high priority recommendations are addressed, 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). This assurance is due to be provided through the programme of follow up work planned by Internal Audit.

OTHER MATTERS

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REPORT BY EXCEPTION

Our audit of the Whole of Government Accounts return will commence in November 2013.

Annual Governance Statement

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).

Audit of grant claims and other returns

Our audit of grant claims and other government returns remains in progress for the period ended 31 March 2013. The overall value of claims and returns submitted to the predecessor auditors as at 31 March 2012 was £193 million. The predecessor auditors reported no amendments were made to any claims or returns they audited in 2011/12. However, the auditors did issue qualification letters following the audit of the housing and council tax benefit grant claim and the national non-domestic rate return. The Council agreed an action plan to implement the recommendations made by the predecessor auditors to improve the scope and quality of supporting documentation and monitor the extent of compliance with grant conditions and quality standards.

Whole of Government Accounts

The delay in completing the audit of the 2012/13 financial statements also delayed the completion of our audit of the final Whole of Government Accounts return. The Government’s deadline for submitting the audited return to the Department for Communities and Local Government by 4 October 2013 was therefore not met.

OTHER MATTERS

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OPERATIONAL PERFORMANCE

Our review of operational performance found the Council reported positive performance in many areas in 2012/13.

INTRODUCTION

The Council publishes its performance (in the quarterly balanced scorecard report) towards key performance indicators underpinning its priorities for Customer Focus and People (specifically workforce development and well being) as well as the five corporate plan themes of Economy and Skills, Health and Wellbeing, Housing, Regeneration and the Environment and Safer Communities. A red, amber or green, ('RAG') rating is published for each indicator along with the direction of travel. 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). A summary of performance in the year towards the Council's corporate plan themes and (where available) to 30 June 2013, is provided below.

Customer Focus and People

Where data was available to publish, all targets for Customer Focus and People were met. The number of on-line payments increased from 1,462 payments in the month of March 2012 to 2,034 payments in the month of March 2013. The performance is now above the Council's target to achieve over 2,000 on-line payments per month. The number of stage 1 complaints against the Council reduced from 638 to 442 compared to the previous year. The performance is notable because the new transactional services hub was established on 1 April 2012, with the transfer of Slough staff to the external contractor. Reducing the number of stage 1 customer complaints by 31 per cent at a time of considerable change for the service is a positive outcome for the Council.

The Council publishes targets and performance for sickness absence among full time equivalent (FTE) staff, the number of staff in post (headcount and FTE), the number of temporary staff and staff turnover. As at 31 March 2013, the average number of FTE days lost to sickness absence was 9.4 days and this represented a reduction compared to the previous year, when the average number of days lost was 11.6 days. The Council expects to meet its target to reduce sickness absence to 8.5 days by 30 September 2013. Other 'People' targets were reported as

'Green' (on track) under the 'RAG' rating system and the direction of travel was reported as positive.

However, the targets set are not consistently 'SMART' ('Specific, Measureable, Achievable, Realistic and Time-bound'). For example, the target for the number of staff in post is simply to 'reduce staff numbers'. No target is published for the number of temporary staff and the range set for staff turnover is between 5 per cent and 15 per cent which is extremely wide. The target and outcome would benefit from being set in the context of local economic conditions and organisational change.

The Council should undertake a review of all performance indicators and targets to ensure these follow the 'SMART' principles highlighted above.

Economy and Skills

The Council's vision for the area, which it aims to achieve by 2028, is that Slough will be an accessible location, competitive on the world stage with a sustainable and varied business sector and strong knowledge economy, supported by a local workforce which has the skills to meet local businesses' changing needs. The Council aims to achieve the vision through its published objectives as measured by its progress towards targets for educational achievement, schools performance and employment. Performance towards targets involving schools was mixed in the year ('RAG' rating green or amber). Positively:

- performance improved compared to the baseline (62 per cent) to 64 per cent for the percentage of pupils achieving at least 78 points across the Early Years Foundation Stage (with at least six in each of the scales in Personal, Social and Emotional Development and Communication, Language and Literacy)
- the percentage of pupils achieving level 4 or above in both English and Maths at Key Stage 2 improved compared to the baseline of 74 per cent in 2010/11 (academic year) to 77 per cent for the 2011/12 academic year. While the performance is rated 'green' the Council recognises it is now behind the national average (79 per cent) for Key Stage 2 performance

However:

- the number of Slough primary schools in special measures or with notices to improve increased from two to three schools
- the percentage of pupils achieving five or more GCSEs at A* - C (including English and Maths) reduced from 68.1 per cent (2010/11 academic year) to 66.1 per cent (2011/12 academic year)
- the percentage of pupils achieving 5 or more GCSEs at A* - C (including English and Maths) reduced from 68.1 per cent (2010/11 academic year) to 66.1% (2011/12 academic year). Performance remains above the national average (59.4 per cent for the 2011/12 academic year)

The Council is keeping the performance of its schools under close review through the work of the schools forum and the Schools Improvement Project Board.

Housing

The Council's performance in administering housing and council tax benefit claims was adversely affected by the upgrades to systems necessary to implement the new local scheme for the award of council tax support with effect from 1 April 2013. Overall performance in the year to administer new claims (27.5 days) and changes in circumstances (14 days) was behind the Council's targets (20 days and 10 days respectively) and the national average (24 days and nine days). With effect from 1 April 2013, the Council no longer reports performance in administering benefit in its balanced score card.

As at 31 March 2013, 87 households were in temporary accommodation which was just behind the target level of 85 households and better than the prior period performance of 90 households. However performance as at 30 June 2013 is behind target with 95 households in temporary accommodation and the Council is examining ways of increasing the capacity of the social and the private housing sectors to address this.

Regeneration and Environment

The Council's vision is that by 2028, Slough will be distinctive from its competitors, harnessing the diversity and creativity of its people and its cultural and physical fabric to create an attractive local environment for our residents and businesses. To underpin achievement of the vision, the Council has published targets to improve public transport and waste management services. As at 31 March 2013, the Council's target for improving the punctuality of non-frequent bus services was ahead of the baseline (77.5 per cent on time) at 83 per cent. The percentage of household waste sent for reuse, recycling or composting was in line with the target level (30.7 per cent). However, the percentage of

municipal waste sent to landfill (9.9 per cent) was behind the target level of 6.6 per cent.

Safer Communities

The Council's vision is that by 2028, Slough will have levels of crime and disorder that are not significantly higher than in any other town in the Thames Valley. Agencies will be working collaboratively to address the underlying causes of crime and communities will feel safe and able to play an active part in making Slough a better place to live, work and visit. Underpinning achievement of the visions are two cross-cutting themes of civic responsibility and improving the image of the town.

While the percentage of Initial (social care) assessments completed and authorised within 10 working days (64.8 per cent) was behind the target of being above 80 per cent progress towards other targets for Safer Communities was positive as at 31 March 2013 as summarised below.

Performance Indicator 2012/13	Target	Actual
Percentage of Social Care Core Assessments completed and authorised within 35 working days (in month)	over 80%	84.7% (in month of March 2013)
Children looked after by the council at month end (excluding respite care arrangements - Rate per 10,000 local children	59.1	48.9
Children subject to Child Protection Plans at month end - Rate per 10,000 local children	between 37 and 50	38.8
Percentage of children looked after adopted from care or granted a special guardianship order	above 8%	14.9%
Number (and percentage) of Adult Safeguarding Alerts that led to a strategy meeting per month	low number - 30% to 40%)	6 out of 35 cases (38%)

None of the published performance information for Safer Communities compares the Council's relative performance to the Thames Valley area. The Council should review the benchmark information available to it and ensure performance towards its overall vision for safer Communities in Slough can be measured against the Thames Valley benchmark and then published.

Health and Wellbeing

The Council's vision is that by 2028, Slough will be healthier, with reduced inequalities, improved wellbeing and opportunities for its residents to live positive, active independent lives. The establishment of the Slough Wellbeing Board on 1 April 2013 is an important achievement and with its partners, the Council is now developing appropriate performance objectives and measures for the area.

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.

Recommendation

To further enhance the performance management approach, the Council should develop further its performance targets to consistently follow 'SMART' principles and to underpin achievement of the overall vision for Slough.

APPENDIX


Reports issued

We issued the following reports in respect of the 2012/13 financial year.

REPORT	DATE
Planning letter	December 2012
Audit Plan	March 2013
Letter to Audit and Risk Committee regarding areas of significant risk	July 2013
Interim Annual Governance Report to Audit and Risk Committee	September 2013
Interim Annual Governance Report to Council	September 2013
Annual Governance report to Audit and Risk Committee	October 2013
Annual Audit Letter	October 2013

Fees update

We reported our fee proposals in our Audit Plan issued in March 2013. The Audit Commission's scale fee amounts to £168,960 for the year. We are currently discussing with management the impact on resources and fees of the additional work required to complete the audit of the 2012/13 financial statements. The audit fee is therefore likely to increase. We will update the Audit and Risk Committee when this process is completed.



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

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