



# SLOUGH BOROUGH COUNCIL

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

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# EXECUTIVE SUMMARY

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

## Significant Risks

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

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

## Fees

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

## Key outputs

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

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

# SCOPE OF THE AUDIT

## Purpose of the audit plan

The purpose of this audit plan is to:

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

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

## Respective responsibilities

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

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

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

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

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

We have a responsibility to consider specifically the potential risk of material misstatement of your financial statements as a result of fraud and error, including the risk of fraudulent financial reporting. We have discussed possible risk of material misstatement arising from fraud with the Assistant Director of Finance and Audit, the Head of Internal Audit and have written to the Chair of the Audit and Risk Committee.

Please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

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

## Code audit

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

The financial statements audit requires that we obtain assurance:

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

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

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

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

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

## Materiality and triviality

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

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

## Value for money conclusion

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

This is based on the following two reporting criteria:

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

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

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

## Whole of Government Accounts

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

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

## Certification of grant claims and returns

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

## Engagement partner

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

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

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

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

## Independence and objectivity

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

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

# RISK ASSESSMENT

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

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

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

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

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

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



FINANCIAL STATEMENTS AUDIT RISKS

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

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


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

# AUDIT TIMETABLE

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

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

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



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

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