

Audit Progress Report

Slough Borough Council
Year ending 31 March 2019

December 2019



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Introduction



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This paper provides the Audit and Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.granthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at December 2019

Financial Statements Audit

We have completed planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We reported to you in July 2019 and September 2019 that we have experienced some delays in respect of the opening balances for Property, Plant and Equipment during the course of the interim audit, and that we are not able to confirm the opening balance position to date. We have experienced further delays which we communicate to you below.

The statutory deadline for the publication of the Council's accounts remained unchanged at 31 July 2019 and the Council has published its unaudited accounts by this date.

In this context, we note that the delivery of the 2018-19 audit has been further delayed due to issues with the production of working papers to support the financial statements. In particular, these significant delays have resulted in a slippage of the timetable with regards to Income and Expenditure testing.

We continue to regularly discuss our plan and timetable with officers to complete the audit, with the intention of presenting our audit findings report and opinion in early 2020.

Further details are provided on pages 6 to 8 of this report.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified three significant Value for Money Risks – Medium Term Financial Strategy, Principles and Values of Sound Governance and Internal Control; and Children's Social Care services – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion at the next Audit & Corporate Governance Committee meeting.

Progress at December 2019

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. At the time of this report, the certification work for the 2018/19 claim is in progress.

As a result of the ongoing issues with our audit of the Council's financial statements, this resulted in an impact to the commencement of the certification of the subsidy claim. Since commencing this work, a number of processing errors have been identified, resulting in an increase in the levels of testing required, in line with the DWP requirements. Consequently, the statutory deadline of 30 November will not be met for the Housing Benefit Subsidy claim and the Council has notified the DWP of the delay. We are working with officers to resolve outstanding queries and complete the additional testing over the coming weeks.

Meetings

We met regularly with Finance Officers and your Section 151 Officer, as part of our quarterly liaison meetings. We continue to discuss with finance staff emerging developments and issues, such as the McCloud pension issue, to ensure the audit process is smooth and effective. We also meet with your Chief Executive periodically to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshops in February 2020, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit & Corporate Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.</p>	January 2019	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	July 2019	Presented
	September 2019	Presented (Rescheduled)
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the next Audit & Corporate Governance Committee.</p>	Early 2020	Not yet due (Rescheduled)
<p>Auditors Report</p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	Early 2020	Not yet due (Rescheduled)
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	Early 2020	Not yet due (Rescheduled)

Audit Work Progress Update at September 2019

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention, subject to completion during the course of the final audit.</p> <p>At final audit stage, we will plan to review internal audit's work on the Council's key financial systems to date.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment, subject to review of the final internal audit reports during the financial year.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>We have identified a control issue whereby temporary staff do not need to complete a conflict of interest or independence declaration. We have identified five such forms within a sample during the year where the form was not completed, due to the temporary status of the employees.</p> <p>We have identified a number of control issues with regards to the year end reconciliation processes at the Council; we recommend that the trial balance is reconciled to the Big Red Button output and the accounts during the closedown process, with all manual adjustments authorised by a senior member of the Finance Team.</p>

	Work performed	Conclusions and recommendations
Review of information technology controls	<p>Our information systems specialist have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>We note that the IT control environment review was scheduled to commence on 1 April, and was due to complete by 31 July 2019; we reported to you in September 2019 that we were awaiting a number of documents in order to complete the review. The draft report was issued to management on 8 October 2019.</p> <p>A number of outstanding items were subsequently provided, and a revised draft was issued on 21 October 2019.</p> <p>Seven “Amber-rated” findings and one “Red-rated” finding have been reported to Management. We are further awaiting some outstanding documents in order to be able to be able to conclude our findings in this area.</p> <p>Our final conclusions and any recommendations resulting from the review of information technology controls will be communicated to the Audit Committee via the Audit Findings Report.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council’s controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>We will undertake a walkthrough of the pension liability system during the final audit.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach. We will report on the results of the pension liability system within the Audit Findings Report.</p>
Journal entry controls	<p>We have reviewed the Council’s journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council’s control environment or financial statements.</p> <p>We will undertake detailed testing of journal entries during the final audit.</p>	<p>No issues have been identified that we wish to highlight for your attention, subject to completion during the course of the final audit.</p>

	Work performed	Conclusions and recommendations
Substantive testing (Complete)	<p>Our work on the following areas is complete, subject to the resolution of minor queries and procedures:</p> <ul style="list-style-type: none"> • Employee remuneration • Related Parties • Senior Officer Remuneration • Council Tax income • NNDR income • Welfare Expenditure • Grant income • Operating expenditure • Other expenditure • Schools expenditure • Income from Other Fees and Charges, and Contracts 	<p>We will report on the outcome of our substantive testing within the Audit Findings Report.</p>
Substantive testing (In progress)	<p>The following areas are in progress:</p> <ul style="list-style-type: none"> • Cash • Investments • Long and Short Term borrowing • Property, Plant and Equipment – initial queries • Investment Property – initial queries • Debtors – Long Term and Short Term • Creditors – Long Term and Short Term • Property, Plant and Equipment – subject to amended accounts receipt • Investment Property – subject to receipt of initial queries & resolved responses 	<p>We will report on the outcome of our substantive testing within the Audit Findings Report.</p> <p>In this context we note that we have started to undertake substantive testing on the following areas, but have experienced a number of delays due to issues with the production of working papers to support the financial statements, in particular with regards to Debtors (Long Term and Short Term), Creditors (Long Term and Short Term), Cash, Investments and Short Term Borrowing.</p> <p>We have identified a number of control recommendations with regards to Short Term Debtors, Short Term Creditors, Cash and Investments. We will report the recommendations within the Audit Findings Report.</p> <p>We have identified a number of issues during the testing of the Prior Period Adjustment to the Council's Property, Plant and Equipment balance. In particular, we have identified a number of corrections which are required within the financial statements, including entries to the MIRS, Balance Sheet, Group Accounts, and associated notes and disclosures. We are currently awaiting receipt of a revised set of financial statements from the Authority in order to recommence our work on Property, Plant and Equipment.</p> <p>These findings have resulted in a further slippage of the timetable, and this has subsequently resulted in a slippage of the timetable with regards to the items in the "To be completed" section below.</p>
Substantive testing (To be completed)	<p>The following areas are subject to completion following conclusion of the areas above:</p> <ul style="list-style-type: none"> • Housing Revenue Account • Group Accounts • Pension Liability • Journal entries • Private Finance Initiatives (PFI scheme) • Finalisation work – subject to clearance of all items above. 	<p>These areas are subject to completion; following the conclusion of the areas above.</p>

