

# Slough Borough Council Audit Progress Report and Sector Update

**Year ending 31 March 2019**

September 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

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Value for Money Lead

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Corporate Governance 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

<https://www.grantthornton.co.uk/en/services/public-sector-services/>

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.

# Engagement Team



## Julie Masci, Key Audit Partner

Julie will have ultimate responsibility for the delivery of your audit service. Specifics of the role include:

- leading our relationship with the Trust, ensuring you have access to Grant Thornton's full service offering,
- being a key contact for the Chief Executive, the Chief Finance Officer, Commissioners and the Audit & Corporate Governance Committee, meeting frequently with key members of management,
- taking overall responsibility for delivering a high quality audit which meets professional standards,
- agreeing with you the annual audit plan, and a timetable for delivering the work,
- reviewing the audit file, giving particular focus to any key areas of risk or critical judgements exercised during the audit,
- reviewing and signing off all audit reports,
- attending Audit & Corporate Governance Committee to discuss key issues arising from our work and any recommendations,
- acting as a 'sounding board' on key decisions relevant to our responsibilities as your auditors, and
- sharing good practice identified at other organisations.

## Other Members of the Engagement Team

### Paul Dossett, Support Partner

Paul will support Julie Masci and the audit team with the financial statement audit and value for money work. Paul brings more than 25 years of local government and public sector experience.



## Keith Mungadzi, Senior Manager

Keith will ensure that all work allocated is carried out on a timely basis in accordance with the firm's professional standards and to the satisfaction of clients and engagement lead.

As the key contact he will be responsible for building and maintaining good working relationships with all colleagues and clients.

To support delivery of the testing strategy he will:

- assist the engagement lead in establishing audit objectives and overall scope,
- ensure key matters which arise during the audit which were not identified at the planning stage are properly assessed and dealt with,
- review the work of in-charge auditor and the wider fieldwork team,
- finalise our draft report to management.
- manage, motivate and coach team members, and
- control the audit in relation to timescales, budgets and risk management procedures.

### Ginette Beal, Value for Money Lead

Ginette Beal will be the lead contact for the value for money work on the Slough Borough Council audit. She will review the council's arrangements in place for securing value for money. Ginette will liaise with senior council staff, draft progress and value for money reports.



## Hal Parke, Assistant Manger

Hal will work as part of the team, leading the on site audit team, providing a service which meets or exceeds client expectations and supports the engagement lead / manager team. Specifics of the role include:

- taking an active part in the audit planning discussions to identify audit risks and appropriate audit strategy,
- communicating any issues relating to the audit with the engagement manager or engagement lead,
- overseeing all aspects of audit fieldwork and completion,
- addressing and discussing queries in respect of technical and audit issues identified during the course of the audit,
- maintaining good working relationships with client staff, and
- delegating work to other members of the audit team, ensuring they understand their responsibilities and have received appropriate on-the-job training / coaching.

### Engagement Quality Review Partner (EQCR)

As part of the firm's quality control of the audit, we have an appointed review partner. The independent quality reviewer responsible for evaluating the significant judgements made by the engagement team and related conclusions.

# Progress at September 2022

## Financial Statements year ended 31<sup>st</sup> March 2019

In July 2019 we began the process of completing our audit of the Council's 2018/19 financial statements and our review of the value for money arrangements in early 2020. Unfortunately this process did not complete as planned due to a number of significant matters arising from the audit of the financial statements.

Since the 2018/19 Statement of Accounts was initially prepared, errors identified by both the Council's external auditors and the new Finance team have required a substantial re-write of the financial statement accounts.

On 15 June 2022, we received the revised draft financial statements for the period ending 31<sup>st</sup> March 2019 for audit from the new Finance Team. The revised financial statements included revised accounting policies, disclosures, notes and 16 Prior Period Adjustments (all subject to audit). We commenced the audit of the revised 2018/19 accounts, in early July 2022.

As result of the scale and number of errors, we have had to revisit our risk assessment and planning work for 2018/19. To date we have completed the following :

- Updated our review of the Authority's control environment
- Revisited the suitability of the Council's and Group's materiality thresholds
- Revisited and updated our significant risks of the audit and other risks
- Reviewed and re-assessed the group audit scope and risk assessment, including engaging with component auditors
- Reviewed our cumulative audit knowledge of the council by updating council committee and sub-committee minutes
- Reviewing latest internal audit reports
- Understanding how the Authority makes material estimates for the financial statements
- Engaging with our audit expert for Property Plant and Equipment

Further details of the audit work currently in progress on the 2018/19 accounts at the time of writing this report is detailed on Page 6.

We have re-issued a revised Audit Plan (in agenda papers) for 2018/19. The revised audit plan sets out our proposed approach to the audit of the Council's 2018/19 financial statements. We will report our work in the Audit Findings Report at the conclusion of our audit work.

## Subsequent Financial Statements

Management have agreed to complete subsequent draft financial statements for the council under the following timelines

- 31st March 2020 (to be produced by 30 Sept 2022)
- 31st March 2021 (to be produced by 31 December 2022)
- 31st March 2022 (to be produced by 31 March 2023)

## Value for Money Update

As a result of the delay in the 2018/19 financial statements and the series of actions that have followed, we have not yet been able to issue our final Value for Money conclusion in relation to the 2018-19 year. Our audit findings report presented to the Council's Audit and Corporate Governance committee on 18 May 2021 proposed an adverse conclusion on our value for money work. Whilst some further work is required to bring this to its final conclusion following the issue of further outcomes from external reviews, our overall proposed conclusion for 2018-19 will remain unchanged.

A planning memorandum was provided to the Audit & Corporate Governance committee on 28<sup>th</sup> July 2022 which combines the two financial years 2019/20 and 2020/21 including changes to the scope of the value for money work. A letter detailing the delay in concluding the 2021/22 value for money has been included on page 12 of this report.

## 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 (DWP). The certification work for the 2020/21 claim was complete on 30 March 2022. The 2021/22 certification work has not commenced yet.

The Council has requested Grant Thornton to certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions for the period ending 2020/21 and 2021/22. This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.

The Council has requested Grant Thornton to undertake work to certify the Council's annual Pooling of Housing Capital Receipts return for the following years 2019/20, 2020/21, 2021/22 in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). This certification work has not commenced and is subject to independence and ethical consideration by our Ethics Function.

## Meetings

We have on-going regular meetings with the new Finance Team as part of the 2018/19 financial statement audit. As part of the meetings we are in regular discussions regarding emerging developments at the Council and in the local government sector to ensure the audit process is smooth and effective. We also meet with your Commissioners monthly to discuss the Council's strategic priorities and plans.

# 2018/19 Progress Report

Below is a summary list highlighting the key areas of the 2018/19 audit (at time of writing this progress report) that were either in progress or not yet started as at September 2022.

Area	Description of work	Status
Trial Balance Reconciliation	Requested updated workings to support the revised Comprehensive Income and Expenditure Statement, Balance Sheet Expenditure and Funding Analysis notes, ensuring this information reconciles back to the Trial Balance, and other notes within the financial statements. Reviewing management's updated extended trial balance reconciliation to the original draft version of the accounts financial statements (Big Red Button version of the accounts) and subsequent versions (i.e. May 2021 second version of the draft accounts) and latest revised set of the draft accounts (June 2022 revised restated accounts).	In Progress (under Audit Review)
Opening Balance Reconciliation	Detailed review of the opening balances for the restated 2016/17, 2017/18 and 2018/19 and agreeing these to updated working papers and adjustment journals processed within Agresso and those that were processed incorrectly as part of the closedown process (i.e. as part of the Big Red Button).	In Progress (with Management)
Prior Period Adjustment	Documenting our understanding of the Prior Period Adjustments (errors) identified by the new Finance Team and ensuring these amendments meet the requirements of International Accounting Standard (IAS) 8 and other relevant IAS/International Financial Reporting Standards accounting standards (IFRS). Obtaining and reviewing the supporting evidence for the prior period adjustments.	In Progress (under Audit Review)
Financial Statement Review	Reviewing the presentation and disclosure of the revised financial statements for potential misstatement through error or omission <ul style="list-style-type: none"> <li>Engagement Lead, Manager, Engagement Quality Review Partner review of the financial statements.</li> <li>Financial Reporting Team Technical Review of the revised financial statements.</li> </ul>	In Progress (with Management)
Cash Review	Obtaining an understanding of the council's bank reconciliation processes and controls for the year end 31 March 2019. Understanding the work completed Ernst and Young for the period 2021/22 and the impact of this work on the 2018/19 cash balances. Reviewing the councils cash balance working papers and supporting evidence.	In Progress (with Management)
Re-visiting initial work.	Reviewing the audit work completed by the previous engagement team in the first phase of the audit and where relevant, we will: <ul style="list-style-type: none"> <li>roll forward assurance level obtained were no changes to amounts, disclosures and notes,</li> <li>or undertake further top up testing where this work is insufficient</li> <li>or new substantive testing where no assurance.</li> </ul>	In Progress (with Management)
Group Consolidation	Reviewing the council's group consolidation processes and controls for year end preparation of the Group Accounts Acknowledgement of our group instructions sent to the Group's component auditors.	In Progress (under Audit Review)
Misstatements	Performing substantive testing of the misstatements identified by the new Finance Team and considering the completeness of the adjustments and potential for further unidentified misstatement within the financial statements. Where applicable requested management to demonstrate their assessment of the misstatement.	Not Yet Started



# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

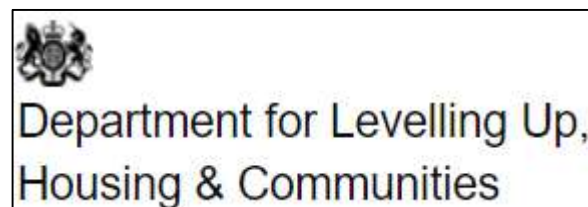
Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)





# Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



# The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

## Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

## Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

## Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

## Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, [Rob Whiteman](#) share his views on this report.



# Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)

# Value for Money Extension Letter

Paul Kelly  
Chair of Audit & Corporate Governance Committee  
Observatory House,  
25 Windsor Road  
Sough  
SL1 2EL

28 September 2022

Dear Paul ,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to on-going financial statement audit for 2018/19 including the completion of the value for money work for subsequent audits, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We now expect to publish our report once we have completed the value for money work for the following years 2018/19, 2019/20 and 2020/21 which we estimate to be completed by March 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Julie Masci  
Director



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