

# 2018/19 Statement of Accounts



Slough Borough Council

Draft  
Statement of Accounts  
2018/19

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# Timeline

- Municipal year end 31 March each year
- Accounts should have been prepared by 31 May 2019
- 1<sup>st</sup> draft 10 June 2019 – no working papers
- 2<sup>nd</sup> draft 5 July 2019 – trial balance provided
- 3<sup>rd</sup> draft 6 January 2020
- 4<sup>th</sup> draft 3 March 2021 – incomplete a/cs & material error
- September 2020 - more audit issues arising
- 5<sup>th</sup> draft 7 May 2021

16 July audit starts  
Progress hampered by  
lack of working papers

More audit issues  
arising  
Audit suspended

## **BUT:**

- New Finance team appointed latter end of May 2021 identified that these accounts were still not fit for purpose **AND**
- Capitalisation Direction (CD) obtained in March 2022 meant further changes were required

# Changes made to 2018/19 accounts (1)

**50 changes** made in total affect over 100% of figures in core statements **PLUS** 80% of disclosure notes:

- 22 areas subject to detailed review and correction
- 20 changes relate to previous financial years
- 7 changes correct earlier versions of 2018/19 accounts

**AND**

- 1 further change has been made as a result of the Capitalisation Direction obtained in March 2022

## Changes to 2018/19 accounts (2)

	Total changes £m	Area affected:	
		Balance Sheet £m	General Fund £m
Land and buildings incorrectly valued	30	30	
Infrastructure not depreciated	42	42	
MRP not charged in line with Regulations	33		33
Staff costs incorrectly capitalised	26	26	26
Income incorrectly recognised	8	8	8
Inadequate provisions for bad debts and rating appeals	32	32	3
Write off unsubstantiated debtors/creditors	9	9	9
Liabilities not included on balance sheet	8	8	
<b>TOTAL</b>	<b>188</b>	<b>155</b>	<b>79</b>

# Impact on Balance Sheet at 31 March 2019

	1st draft June 2019 £m	5th draft May 2021 £m	Revised February 2023 £m
Property, plant & equipment	1,046	969	933
Other non-current assets	142	156	123
Cash & short-term investments	70	69	69
Other current assets	48	36	18
Current liabilities	(270)	(276)	(276)
Long-term liabilities	(631)	(617)	(636)
<b>NET ASSETS</b>	<b>405</b>	<b>337</b>	<b>231</b>
Usable Reserves	(83)	(71)	(76)
Unusable Reserves	(322)	(266)	(155)
<b>TOTAL RESERVES</b>	<b>(405)</b>	<b>(337)</b>	<b>(231)</b>

Reflects inaccurate asset records and over-capitalisation of staff costs

Net value of Balance Sheet has been reduced by over 40%

# Impact on General Fund Balances

	<b>General Fund balance with CD</b>	<b>General Fund balance without CD</b>
GF balance at 31 March 2017	£7m	£29m in deficit
GF balance at 31 March 2018	£2m	£48m in deficit
GF balance at 31 March 2019	£1m	£77m in deficit

# What does this reflect?

- ✗ Inadequate accounting records and controls systems
- ✗ Ineffective systems of internal control, risk management and governance
- = Grossly inaccurate Annual Governance Statement
- = And very challenging budget setting

A&A Regs

Reg 4

Reg 6

## Remedy

- ✓ 18 months very demanding work by new Finance Team
- ✓ 43% reduction in net worth of the Council's balance sheet
- ✓ Corrected a/cs provide sound financial base for the Council going forward

# Why is this important?

Levels of General Fund and HRA balances affect key budget decisions for the next financial year

**Many of the Council's financial problems would have been highlighted sooner if accounts had been produced earlier and to the standard required.**

There is a residual risk is that something arises from the previous 3 years' unaudited accounts which adversely affects the estimated GF and HRA balances





# Different opinions – what does it mean?

- Approval by s.151 and Council is on the accounts overall
- External audit opinion is:
  - more detailed technical appraisal based on auditing standards
  - line by line assessment of the accounting statements

# Process improvements (1)

- ✓ Recruited specialists in local authority financial reporting
- ✓ Training has commenced for Finance staff
- ✓ Templates and checklists have been introduced to improve the quality of draft accounts and working papers
- ✓ Improved presentation and layout of published document
- ✓ Regular meetings with external audit so that technically complex issues are identified and resolved quickly
- ✓ Year-end close and audit is now a priority

## Process improvements (2)

- ✓ Improved bank reconciliation processes
- ✓ Review of all debtor and creditor balances
- ✓ Ledger system is now used more effectively
- ✓ Plans in place to review coding structure

# Process improvements (3)

New processes will take a while to bed in but the aim is to:

- Produce accounts that meet CIPFA requirements and are easy to audit with minimal changes required
- Ensure that accounts are supported by clear and comprehensive working papers
- Manage the audit process so that accounts can be signed off as quickly as possible.

- **In terms of cultural change, managing year end close and audit is now a priority**
- **BUT experience elsewhere suggest that this can take up to 5 years to embed**

# Looking forward...

2018/19 audit due to complete February 2023

## Progress on accounts preparation

- 2019/20 accounts prepared by 30 November 2022
- 2020/21 accounts prepared by 28 February 2023
- 2021/22 accounts prepared by 31 August 2023
- 2022/23 accounts prepared by 31 December 2023

Accounts still subject to QA and amendment arising from 2018/19 a/cs audit and new team being in place