

Slough Borough Council Audit Progress Report and Sector Update

September 2023



Contents

Section	Page
Introduction	3
Progress at September 2023	4
Sector Update	6

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

Your key Grant Thornton team members are:

Julie Masci

Key Audit Partner

T 029 2034 7506

E Julie.Masci@uk.gt.com

Keith Mungadzi

Senior Manager

T 020 7383 5100

E Keith.Mungadzi@uk.gt.com

This paper provides the Audit and 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 and 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.

Progress at September 2023

Financial Statements

2018-19

Our audit of the financial statements of Slough Borough Council for the year ended 31 March 2019 commenced in July 2019, when the Council first produced its first draft statement of accounts. Unfortunately, the audit on the financial accounts did not complete during 2019, due to a number of significant matters identified in the financial statements audit. Our review of value for money arrangements at the Council also identified a number of significant issues, resulting in an adverse value for money opinion.

In early 2021, the Council found itself in financial difficulties resulting in a Section 114 being issued, therefore, requiring an application to Government for a Capitalisation Direction. The old finance team who were involved in producing the first draft accounts subsequently left the Council during early 2021.

A new finance leadership team was appointed during 2021 with considerable financial expertise and experience of working with or for other local authorities in the sector. The team was responsible for reviewing the financial arrangements at the Council and overseeing the production of a revised set of financial statements for 2018/19.

The Local Audit and Accountability Act 2014, requires local authorities to keep adequate records and to prepare an annual statement of accounts, which must be audited. During their review, the team identified significant weaknesses in financial accounting and record keeping issues at the Council, leading to a substantial re-write of the original 2018/19 draft accounts. The revised draft accounts produced in June 2022 included 16 Prior Period Adjustments, revised core statements, revised accounting policies, presentation and disclosure of notes.

The new finance team attempted to produce a set of financial accounts fit for audit. However, their initial starting position was the previous version of the accounts and general ledger (containing thousands of accounting entries) prepared by the old finance team, which had several legacy issues. The new finance team had to undertake detailed reviews of the financial systems, attempt to re-create records held within and outside the financial management systems and conclude whether sufficient financial information was available. The new finance team experienced a number of challenges with many members of the old finance team who prepared the first draft of the accounts or posted accounting transactions no longer employed at the council. Therefore, it was difficult to obtain supporting evidence or explanations to transactions posted in 2018/19 and prior periods. These issues increased the complexity of preparing the accounts, correcting errors and concurrently elevated our audit risks.

Grant Thornton agreed to recommence the audit of the revised accounts in July 2022. As a result of the scale and number of misstatements and amendments to the 2018/19 draft accounts, we revisited our planning and risk assessment and re-issued an updated Audit Plan on 29 September 2022 to the Audit & Corporate Governance Committee.

Our audit work continued into 2023 and we reported our final conclusions to the Audit Committee and full Council in February 2023. The most significant issues relate to the accounts audit are:

- Inadequate processes and controls over journals posted by the old finance team, i.e. lack of supporting evidence and explanations for journal entries posted in the general ledger or adjusting entries on the trial balance.
- Inadequate record keeping and audit trails, lack of good working papers and appropriate reconciliations, mapping issues within the financial statements.
- A significant number of material misstatements identified in the 2018/19 accounts audit and material prior period misstatement identified relating to the 2017/18 accounts and early sets of financial statements.

The scale and size of the issues identified meant we were unable to assure ourselves that the financial statements were free from material errors and are fairly stated for us to provide an unqualified opinion. We consider the nature of these issues identified within the accounts to be pervasive, and our audit report opinion will be a Disclaimer of opinion.

Since February 2023, the audit team has been undertaking an extensive period of assembling key audit documentation to ensure required audit quality standards are met and our key audit conclusions are appropriately documented. We have now reached the concluding stages of our work. Subject to receiving final clearance of our audit opinion wording and the finalisation of the signed letter of representation, our final opinion will be issued in September 2023.

Alongside the completion of these final stages of our audit work, we have interviewed a number of former finance officers of the Council and conducted further investigative work to better understand the problems and root causes of the significant findings identified with the accounts production processes. We have prepared our report of these findings and this is currently with the Council's management and Commissioners for final review.

Progress at September 2023 (cont.)

Subsequent Financial Years

The audit team has been in regular consultation with the Council's new finance team and the Council's commissioners around the arrangements for completion of the remaining financial statements audits that are outstanding. Management have prepared the draft financial statements for the 2019-20 year and the preparation of the 2020-21 statements are well progressed.

Senior members of the audit team met with the Council's senior finance officers on 9 August to discuss plans for the preparation of the remaining financial statements up through to the 2023-24 financial year.

Alongside this, the Department for Levelling Up, Housing and Communities has been working, along with the Financial Reporting Council and other local audit system partners to progress proposals to address the significant backlog of local government audits in England and develop a sustainable solution to the timeliness challenges which the local audit sector has faced in recent years. The attached paper derives from this work and outlines clear proposals to resolving these issues, which have been agreed in principle with key partners in the local audit system.

Whilst the proposals are subject to further work over the coming months, measures are expected to clear significant audit backlogs within the next 12 months. In addition, the National Audit Office is currently working up a new Code of Audit Practice to support these measures.

Value for Money Update

2018-19

Our 2018-19 VFM work has been completed and 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. Our final VFM opinion will be issued alongside the opinion on the 2018-19 financial statements in September 2023.

2019-20 and 2020-21

A planning memorandum was provided to the Audit & Corporate Governance committee on 28th July 2022 which combined our VFM risk assessment for the two financial years 2019/20 and 2020/21, including changes to the scope of our value for money work. This work has now been concluded and the draft report has been issued to the Council. The report is in the process of final management clearance and the final report will be presented to the next committee.

2021-22 and 2022-23

We have discussed the timings of the completion of our remaining VFM work and have agreed with finance officers that this can commence from September 2023. We plan to complete all remaining VFM work to bring us fully up to date by the end of the calendar year.

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 the Council's Commissioners monthly to discuss the Council's strategic priorities and plans, as well as provide regular updates on the progress of the audit.

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

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

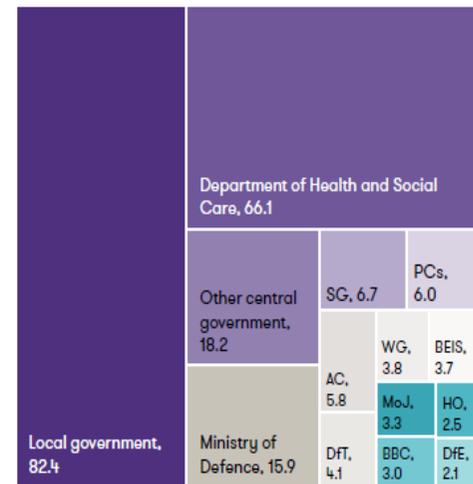
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

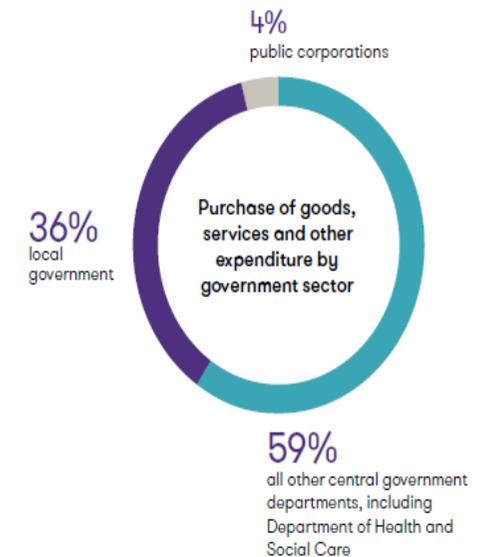
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations
 DfT Department for Transport
 WG Welsh Government
 HO Home Office
 DfE Department of Education
 SG Scottish Government
 AC Academies
 MoJ Ministry of Justice
 BBC British Broadcasting Corporation
 BEIS Department of Business, Industry Strategy

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021

³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October 2022, CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

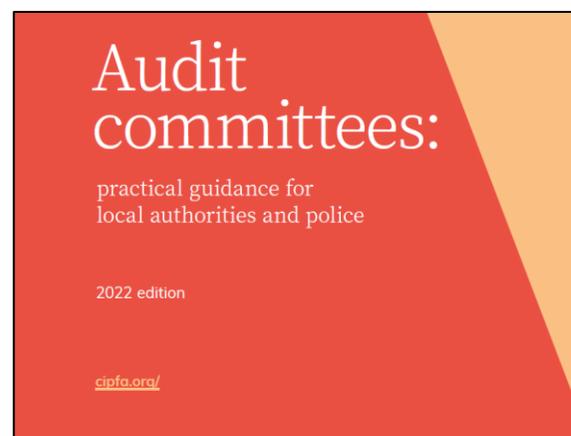
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.