

Independent auditor's report to the members of Slough Borough Council

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Slough Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement on the Movement on the Housing Revenue Account, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Financial Statements, Housing Revenue Account Notes, Notes to the Collection Fund and Notes to the Group Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. Therefore, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or the Group's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate audit evidence for the corresponding figures for additional reasons, as set out further below. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2020 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2019, we issued a disclaimer of opinion due to two matters:

- The Authority operated without appropriate journal controls throughout 2018/19 and our testing found many to have limited or no supporting evidence. In addition, a number of accounting entries were posted outside of the Authority's general ledger, that were unsupported and poorly documented.
- The Authority did not maintain adequate accounting records to support entries in the trial balance and to ensure the integrity of the financial statements. The number and scale of adjustments demonstrated the likelihood of further material undetected errors within the financial statements.

Both these matters have not been resolved in the current year and because of the limitations imposed by the backstop date, we have concluded that their impact could be both material and pervasive to the current year financial statements.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from

our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matter required by the Code of Audit Practice

The Executive Director of Finance and Commercial Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Finance and Commercial Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 19), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Commercial Services. The Executive Director of Finance and Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Commercial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Commercial Services is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Corporate Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However,

because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, we identified the following matters:

Financial planning

- The Authority did not have adequate financial plans in place during 2019/20 as they were based upon inaccurate and misleading financial information. In May 2021 Section 24 recommendations were issued by the external auditor identifying concerns with the Authority's financial sustainability and levels of reserves. The Authority issued a Section 114 Notice in July 2021. This identified the financial position of the Authority had significantly deteriorated and no longer reflected the financial position suggested in the approved budgets and Medium-Term Financial Strategy. The Section 114 notice made it clear the Authority's available resources were unlikely to meet the planned budgetary demands for 2021/22.

Reserves and Financial Sustainability

- The Authority did not have an adequate level of reserves to provide financial sustainability. Due to financial planning issues reported above, the financial position of the Authority was based upon inaccurate information. This impacted the level of reserves the Authority held. The level of general fund reserves reduced from the forecast £11.24 million the Authority had in the 2021/22 budget to £1.464 million in the 2018/19 financial statements. The level of general fund earmarked reserves also reduced from £30.9 million to £0.419 million. A capitalisation direction was agreed with central government covering 2018/19 to 2022/23 for £307 million to set a balanced budget for 2021/22. There remains a further risk to the level of general reserves in future years.

Financial Reporting

- The Authority did not have adequate arrangements in place to ensure reliable and timely financial reporting that supports the delivery of strategic priorities due to weaknesses in preparing the 2019/20 financial statements. The statements were not published until 9 May 2024. In addition, significant weaknesses arising during the audit of the 2018/19 financial statements, resulted in a disclaimer opinion. Due to the significance of the issues and delays arising in the 2018/19 audit, the disclaimer of opinion on the financial statements for 2018/19 was issued on 8 November 2024.

Governance and Decision making

- In relation to the purchase of investment properties, the Authority did not adequately record the decisions made, nor assess if those making the decisions had appropriate skills, capacity and information. From 2015/16 to 2020/21 the Authority purchased fifteen investment properties with decisions taken by the Strategic Acquisitions Board (SAB). Four of the investment

properties were purchased from outside of council boundaries, all four have now been sold with the proceeds less than the acquisition cost. The SAB was not a formally constituted committee, and the decisions taken not formally recorded. The information provided to the decision makers is therefore not known. The full cost of borrowing and financial risks to purchase these properties was also unclear and not recorded. We were unable to locate any business cases that supported the decision-making process.

- The Authority did not have effective governance and financial monitoring arrangements in place to ensure the financial position of Slough Children's Services Limited (SCSL) was effectively managed. During 2018/19, the financial position of SCSL continued to deteriorate and the Authority were not made aware of the deteriorating financial position and projected year end deficit of £3.7 million until August 2019, with additional funding agreed in December 2019 by the Council and central government. Despite additional funding, SCSL had an accumulated deficit by 2019/20 of £5.247 million.

The above matters highlight pervasive strategic financial sustainability and planning, financial reporting, governance and decision-making weaknesses at the Authority. These matters are evidence of weaknesses in proper arrangements for informed decision making and sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether in all significant respects the Authority 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Slough Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]