



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 27 SEPTEMBER 2023 AT 7.00 PM**

Susan Parsonage
Chief Executive

Published on 19 September 2023

Note: Members of the public are welcome to attend the meeting or participate in the meeting virtually, in accordance with the Council's Constitution. If you wish to participate either in person or virtually via Microsoft Teams, please contact Democratic Services: Democratic.services@wokingham.gov.uk

The meeting can also be watched live using the following link:
<https://youtube.com/live/lsbMnMgXngY?feature=share>

This meeting may be filmed for inclusion on the Council's website. Please note that other people may film, record, tweet or blog from this meeting. The use of these images or recordings is not under the Council's control.

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| Our Vision |
| <i>A great place to live, learn, work and grow and a great place to do business</i> |
| Enriching Lives |
| <ul style="list-style-type: none"> • Champion excellent education and enable our children and young people to achieve their full potential, regardless of their background. • Support our residents to lead happy, healthy lives and provide access to good leisure facilities to enable healthy choices for everyone. • Engage and empower our communities through arts and culture and create a sense of identity for the Borough which people feel part of. • Support growth in our local economy and help to build business. |
| Providing Safe and Strong Communities |
| <ul style="list-style-type: none"> • Protect and safeguard our children, young and vulnerable people. • Offer quality care and support, at the right time, to reduce the need for long term care. • Nurture our communities: enabling them to thrive and families to flourish. • Ensure our Borough and communities remain safe for all. |
| Enjoying a Clean and Green Borough |
| <ul style="list-style-type: none"> • Play as full a role as possible to achieve a carbon neutral Borough, sustainable for the future. • Protect our Borough, keep it clean and enhance our green areas for people to enjoy. • Reduce our waste, promote re-use, increase recycling and improve biodiversity. • Connect our parks and open spaces with green cycleways. |
| Delivering the Right Homes in the Right Places |
| <ul style="list-style-type: none"> • Offer quality, affordable, sustainable homes fit for the future. • Ensure the right infrastructure is in place, early, to support and enable our Borough to grow. • Protect our unique places and preserve our natural environment. • Help with your housing needs and support people, where it is needed most, to live independently in their own homes. |
| Keeping the Borough Moving |
| <ul style="list-style-type: none"> • Maintain and improve our roads, footpaths and cycleways. • Tackle traffic congestion and minimise delays and disruptions. • Enable safe and sustainable travel around the Borough with good transport infrastructure. • Promote healthy alternative travel options and support our partners in offering affordable, accessible public transport with good transport links. |
| Changing the Way We Work for You |
| <ul style="list-style-type: none"> • Be relentlessly customer focussed. • Work with our partners to provide efficient, effective, joined up services which are focussed around our customers. • Communicate better with customers, owning issues, updating on progress and responding appropriately as well as promoting what is happening in our Borough. • Drive innovative, digital ways of working that will connect our communities, businesses and customers to our services in a way that suits their needs. |
| Be the Best We Can Be |
| <ul style="list-style-type: none"> • Be an organisation that values and invests in all our colleagues and is seen as an employer of choice. • Embed a culture that supports ambition, promotes empowerment and develops new ways of working. • Use our governance and scrutiny structures to support a learning and continuous improvement approach to the way we do business. • Be a commercial council that is innovative, whilst being inclusive, in its approach with a clear focus on being financially resilient. • Maximise opportunities to secure funding and investment for the Borough. • Establish a renewed vision for the Borough with clear aspirations. |

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Rachel Burgess (Chair)
David Davies
Jordan Montgomery

Mike Smith (Vice-Chair)
Peter Harper

Sam Akhtar
Stephen Newton

| ITEM NO. | WARD | SUBJECT | PAGE NO. |
|----------|---------------|--|----------|
| 23. | | <p>APOLOGIES To receive any apologies for absence</p> | |
| 24. | | <p>MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 19 July 2023.</p> | 7 - 18 |
| 25. | | <p>DECLARATION OF INTEREST To receive any declarations of interest</p> | |
| 26. | | <p>PUBLIC QUESTION TIME To answer any public questions</p> <p>A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice.</p> <p>The Council welcomes questions from members of the public about the work of this committee.</p> <p>Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions</p> | |
| 27. | | <p>MEMBER QUESTION TIME To answer any member questions</p> | |
| 27..1 | None Specific | <p>Gary Cowan has asked the Chairman of the Audit Committee the following question:</p> <p>Question: With more councils going bankrupt the Local Government Association and the Chartered Institute of Public Finance and Accountancy have serious concerns on the management of Councils' finances point out that:</p> <p>They note that the skills and professional capabilities of officers must also include the skills of elected</p> | |

members.

They add that internal audit requires good financial management reinforced by a culture that encourages responsibility and transparency.

Examples that might cause concern are the Council spending of £1.14 Million on one project at Toutley and current consultants staff increased costs. No doubt there are others.

My question is, in these very difficult times what urgent transparent actions has the Audit Committee added so as to guard against increased risks to Wokingham Borough Council going bankrupt?

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| 28. | None Specific | EY 2020/21 AUDITORS ANNUAL REPORT To receive the EY 2020/21 Auditors Annual Report. | 19 - 46 |
| 29. | None Specific | EY - PROGRESS REPORT ON 2021/22 AUDIT To receive the EY - Progress Report on the 2021/22 Audit. | 47 - 54 |
| 30. | None Specific | 2023/24 INTERNAL AUDIT AND INVESTIGATION QUARTER 1 PROGRESS REPORT To consider the 2023/24 Internal Audit and Investigation Quarter 1 Progress Report. | 55 - 76 |
| 31. | None Specific | 2023/24 EXTERNAL QUALITY ASSESSMENT OF CONFORMANCE TO THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS To consider the 2023/24 External Quality Assessment of Conformance to the Public Sector Internal Audit Standards. | 77 - 96 |
| 32. | None Specific | CORPORATE RISK REGISTER To consider the Corporate Risk Register. | 97 - 124 |
| 33. | None Specific | ANNUAL GOVERNANCE STATEMENT 2022/23 - UPDATE ON ACTIONS To receive the Annual Governance Statement 2022/23 - Update on Actions. | 125 - 130 |
| 34. | None Specific | FORWARD PROGRAMME To consider the forward programme for the remainder of the 2023/24 municipal year. | 131 - 132 |

Any other items which the Chairman decides are urgent

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 19 JULY 2023 FROM 7.00 PM TO 8.45 PM**

Committee Members Present

Councillors: Rachel Burgess (Chair), Mike Smith (Vice-Chair), Sam Akhtar, David Davies, Peter Harper, Jordan Montgomery and Mike Drake (independent member)

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Graham Cadle, Assistant Director Finance (online)
Andrew Moulton, Assistant Director Governance
Paul Ohsan Ellis, Governance and Risk Manager
Mark Thompson, Chief Accountant (online)
Helen Watson, Director Children's Services
Helen Thompson, EY (online)

13. APOLOGIES

There were no apologies for absence.

Councillor Stephen Newton attended the meeting online.

14. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 7 June 2023 were confirmed as a correct record and signed by the Chair.

Members were reminded that the actions list had been circulated to the Committee via email.

Councillor Harper commented that he had had a briefing session with the Assistant Director Finance on the Medium Term Financial Plan and how it fitted together. He had raised a concern as to whether it could be considered a control for the primary risk on the Corporate Risk Register. He still had concerns about how Council had a full view of revenue and capital spending. The MTFP referenced spend for the current year and possible future years, but that not spent in the previous year which was transferred to the current year was referenced in later reports. Councillor Harper suggested further training for Members on this financial control.

15. DECLARATION OF INTEREST

Councillor Newton declared a Personal interest in Item 19 Director of Children's Services - verbal overview of directorate risks on the grounds that he was a foster carer.

16. PUBLIC QUESTION TIME

There were no Public questions.

17. MEMBER QUESTION TIME

There were no Member questions.

18. WOKINGHAM BOROUGH COUNCIL AUDIT PROGRESS UPDATE

The Committee received the Wokingham Borough Council Audit Progress Update.

During the discussion of this item the following points were made:

- In terms of 20/21 a set of financial statements, the final audit result report and other documents including the letter of management representation, had been provided to the Chair and the Section 151 Officer. A meeting would be held with the Chair on Friday to ensure that she was content to sign the statements. Once signed and completed the statements would be published on the website.
- The audit of 2021/22 was progressing and a full draft set of accounts, including the Group information, had now been provided.
- The Department of Levelling Up, Housing and Communities (DLUHC) had the day before, issued a letter to Council leaders, S151 Officers, Chief Executives, and audit firms, regarding its current proposals to address the backlog of audits. This letter provided a proposed outline of the way forwards and the actions that would be required. Information on the statutory deadlines that would be set for each of the financial years involved, was still awaited. Once this was received a clearer picture of the implications for the Council would be possible. In the interim the 2021/22 audit continued to be progressed.
- The Assistant Director Finance commented that around 27% of Councils had completed their 2021/22 audits. There was still a lot of detail to come on how to further progress. There was still a lot of discussion and consultation to come, and the approach might not be finalised until December.
- Mike Drake sought an update on cash and cash equivalents and asked what the adjustment had been in 2020/21. Helen Thompson commented that the prior year adjustment was a classification difference and did not have an impact on the bottom line. There were no changes between general reserves and restricted reserves other than that previously reported. Helen Thompson went on to state that the reclassification of short term investment for the current year was a £95million reclassification between cash and short term investment. The prior year equivalent value was £28million.
- With regards to ongoing audits, Mike Drake noted that there would not be a site visit and questioned the reason for this, including how existence testing would be performed. Helen Thompson indicated that many Councils were still working largely away from the office. The auditors were looking to move more to face to face and this was being kept under review.
- Mike Drake asked whether transaction testing had been considered for the 2021/22 accounts, at the same time as the 2022/23 accounts, on the basis of efficiency. Helen Thompson stated that there was still uncertainty around what would be audited and when, for 2022/23. There were proposals in the letter from DLUHC about changing the scope of the audit. Until this becomes clearer, there would be a risk that unnecessary work might be completed, and so this was not something being considered at this point.
- Mike Drake sought an explanation around the group structure of Optalis Holdings. The Assistant Director Finance explained that a quarterly report was provided to the Executive on its financial position, the last having been issued in March. Helen Thompson added that the Council and Optalis had slightly changed the structure of the Optalis Holdings at the end of the 2022/23 year. Consideration was being given to as to how it should be accounted for in 2021/22. The Chief Accountant stated that previously the split with the Royal Borough of Windsor and Maidenhead Council had been 55%/45% in the Council's favour. Under the 2020/21 accounts a full group consolidation had been undertaken because Optalis had been treated as a subsidiary company. However, from March 2022 the split had been 50/50, under the CIPFA rules the accounting treatment was no longer full group consolidation but

an equity method. Discussions were being had with EY as to the impact of this for 2021/22.

- With regards to existence testing, the Chair questioned how assets were selected for this. Helen Thompson responded that some was done through the additions testing, and some through a sample of assets on the register. If it was not possible to physically inspect the asset other methods such as online mapping software could be used.

RESOLVED: That the Wokingham Borough Council Audit Progress Update be noted.

19. DIRECTOR OF CHILDREN'S SERVICES - VERBAL OVERVIEW OF DIRECTORATE RISKS

The Committee received an update on the Children's Services risks from Helen Watson, Director of Children's Services.

During the discussion of this item, the following points were made:

- The Director Children's Services updated the Committee on SEN and the Safety Valve programme which related to risk 5 on the Corporate Risk Register.
- The Safety Valve programme was a national programme which targeted the 20 local authorities with the highest dedicated schools grant deficit, particularly in relation to the High Needs Block. The Council had secured an agreement with the Department for Education in January 2023, coming in during the second wave of the programme.
- Since the 2014 SEN reforms there had been a significant increase in those requiring assistance for Special Educational Needs.
- A whole system approach was being taken and the Council was working with its partners in health and schools. Through the programme the Council had to demonstrate that, through the Safety Valve programme, it would reduce the in year deficit by the end of the programme. A balance had to be reached by the end of the 2028/29 financial year, which would be challenging.
- Work undertaken via the Safety Valve programme was monitored by the Department for Education and the Council had to submit detailed quarterly returns on activity and financial data. There was strong accountability and governance around the programme.
- Members were informed that the Chief Executive chaired a weekly Safety Valve Gold meeting which was attended by officers including the Deputy Chief Executive and the Director of Children's Services. The risk register was considered, and weekly updates received.
- Linked to the Safety Valve proposal, additional capital funding had been brought in. Two new SEND free schools would hopefully be opening in September 2026. This additional investment in the Borough would help with some of the existing challenges of some children having to be educated outside of the local authority area.
- Members were informed of other governance arrangements. The Director Children's Services indicated that she chaired the monthly Safety Valve Board. She also chaired the SEND Sufficiency Board which oversaw the development of the free schools, and also the Local Authority SEND Partnership.
- There were four main workstreams in the Safety Valve Programme and 15 individual projects, each of which had its own work programme.
- Schools Forum were involved in the process and school leaders had signed up to the principles of Safety Valve. Significant work was being undertaken with the

- schools around what needed to be done with the Dedicated Schools Grant in terms of a 1% block transfer to the High Needs Block in autumn.
- Councillor Davies asked about the expected trajectory of the risk score over the next three years. The Director Children's Services commented that the trajectory of the risk needed to shift and that the building of the new free school and additional units such as SEND resource units, would be key to this. Earlier intervention and supporting families at the earliest opportunity would also be vital. In the next few months some more Early Years Provision would be brought onstream with Addington School. The Director Children's Services indicated that there were challenges around the number of Education, Health and Care Plans (EHCP). It was hoped that bringing in additional provision over the coming years would help to reduce this, by having the right provision as early as possible. The Safety Valve programme was very complicated and ambitious and was within a complex national picture, which had worsened as a result of the pandemic.
 - Councillor Davies commented that the risk score for Risk 5 was very far from the level at which it should be, and asked if it was possible to track the trajectory. The Director Children's Services commented that the programme would take place over a number of years. It was particularly challenging at the moment at the number of EHCPs continued to increase. The range of initiatives would have an impact over time. She stated that as quarterly submissions were required to be sent to the Department for Education, Officers had a good grip on the activity and financials, and any nuances were being monitored.
 - Mike Drake noted that 3 mitigating actions were due within the next 3 months and asked how likely it was that they would be achieved. The Director of Children's Services commented that it was hard to represent the scale of the programme, but she was confident progress was being made. The Assistant Director Governance advised that the next iteration of the Corporate Risk Register would show clearer trajectory for risks and increased clarity around longer term mitigating actions.
 - In response to a question from Councillor Smith regarding the increasing deficit, the Director Children's Services stated that the 2014 SEND reforms had had a financial impact on all local authorities. Whilst Safety Valve was designed to help those local authorities with the most significant deficit, there were also other programmes linked to the High Needs Block. There was increasing demand nationally for EHCPs and statutory requirements which had to be met for them. Increased in Borough provision would be beneficial from a financial standpoint and also ensure a better service for young people and their families.
 - Councillor Smith asked whether demand was likely to plateau and was informed that increased early years support and earlier intervention would hopefully help divert from the need for an EHCP in some cases. More in Borough provision would also help to reduce home to school transport costs.
 - Councillor Smith questioned what would happen should the new SEND schools did not open on time and were over budget. The Director Children's Services commented that Officers were working closely with the Department for Education. An academy trust would be appointed to run the free schools and she was optimistic that they would open on time in 2026.
 - In response to a question from Councillor Akhtar regarding the impact of Covid, the Director of Children's Services indicated that the impact of Covid had been wide ranging. Children born in lockdown were less well socialised and speech and language issues had increased. An increasing demand for EHCPs in younger children had also been seen. With regards to placements for children, an increased complexity of need was being seen, and it was sometimes difficult to find a suitable placement in the whole country. The Council was developing its own residential

provision which would help address significant placement costs and lack of local places.

- Members discussed the difficulties that many residents had indicated that they had had in gaining an EHCP for their child. The Director Children's Services referred to the statutory requirements which must be met, and highlighted workforce issues, such as a national shortage of Educational Psychologists.
- The Committee asked for sight of the risk registers for the 15 individual projects under the Safety Valve Programme.

RESOLVED: That the update on the Children's Services directorate risks be noted.

20. RISK MANAGEMENT POLICY AND GUIDANCE

The Committee considered the Risk Management Policy and Guidance.

During the discussion of this item, the following points were made:

- The Chair highlighted an updated recommendation which reflected the Committee's amended role following the change to its terms of reference.
- The Governance and Risk Manager highlighted that a review had been undertaken of the Risk Management Policy and Guidance. The review had found that the Policy and Guidance was sound. Her Majesty's Orange Book on Risk Management, a code of practice on risk management in the public sector, had been used.
- Minor enhancements around clarity and consistency had been identified.
- The Policy set out the Council's strategic objectives for risk management and described how this was delivered in terms of roles and responsibilities for Members and Officers. The Guidance was the more detailed operational application of these principles.
- Councillor Davies asked that there be more consistency in the reference to Directors and Managers.
- Members highlighted a number of instances where the Committee was still identified as undertaking its previous role. Officers agreed to review the documents and make amendments as necessary.
- Councillor Smith was of the opinion that the verification process around risk management could be better explained in the policy. The Governance and Risk Manager outlined the challenge process and indicated that he would review the Guidance to ascertain how this could best be reflected.
- The Chair suggested that the word 'challenge' be used in the documents. She went on to suggest that reference be made to the Risk Management Group receiving feedback from the Audit Committee.
- With regards to Appendix 2 examples of risk categories, Councillor Harper questioned why reputational risk was not referred to in this section. He went on to suggest that the impact on residents be further emphasised under the impact scores section.
- Councillor Newton referred to the Audit Committee document which had been previously circulated to the Committee, and questioned whether a review of the Committee to understand its level of compliance would be carried out. The Governance and Risk Manager explained that an annual review of the Committee's effectiveness was taken to the February meeting and an action plan detailing how progress against the CIPFA code would be made.

- Councillor Newton went on to comment that the relevant Executive Member was made aware of key risks in their area. He stated that risks were a corporate responsibility and suggested that the Audit Committee and relevant Overview and Scrutiny Committees also be made aware of significant risks so that they could be satisfied that it was being addressed. The Assistant Director Governance indicated that Officers would look at the suggestion around risk management. Councillor Davies was of the view that the existing risk management escalation process was sufficient.
- An assurance framework detailing the whole system of assurance in a local authority would be taken to the Committee's February meeting.
- Mike Drake questioned whether it was highlighted at an early stage when a riskier project was being undertaken, and if so, if mitigating actions were detailed. The Assistant Director Governance responded that risks were highlighted in Executive reports, but the Committee could choose to recommend that Executive reports contain a specific section relating to risks.
- Councillor Smith asked about whistleblowers and was informed that there was a Whistleblowing Policy and details on the Council's website on using the whistleblowing process.
- The Assistant Director Finance referred to Woking Council which had recently declared a Section 114 notice and commented that their level of borrowing was £2.4 billion with a requirement of £50million interest off those investments. The Council's was around £360million. The Treasury Management Strategy set out clear indicators around the level of borrowing and the level of return. The Revenue Monitoring reports highlighted where the Council's budget was.
- Councillor Akhtar asked how a single point of failure was mitigated against and also segregation of duties for Officers involved in key procurement activity. The Governance and Risk Manager indicated that this was set out within the Financial Regulations and the Procurement Regulations within the Constitution. He suggested that this be referenced within the Risk Management documents.
- Mike Drake commented that it was important to identify a risk before it had occurred.

RESOLVED: That the adequacy and effectiveness of the updated Risk Management Policy and Guidance be considered by the Committee as part of its role in monitoring the effective development and operation of risk management in the Council.

21. SENIOR INFORMATION RISK OWNER (SIRO) ANNUAL REPORT 2022/23

The Committee considered the Senior Information Risk Owner (SIRO) Annual Report 2022/23.

During the discussion of this item, the following points were made:

- The Assistant Director Governance took Members through the report. The report provided Audit Committee Members with an update relating to the responsibilities of the Wokingham Borough Council Senior Information Risk Owner (SIRO) and outlines activity and performance related to information governance for the period 1 April 2022 to 31 March 2023.
- CLT had received a half day briefing on cyber security recently, which had helped to raise the prominence of this issue to senior officers.
- It was noted that Internal Audit were due to report internally on information governance.

- With regards to data breach management and reporting, there had been one reportable breach which had been reported immediately. It had related to physical information which had been lost but then swiftly recovered. The Information Commissioner had been complimentary regarding the speed of the reporting (within 24 hours) and had taken no further action. An internal reporting culture was encouraged and over 100 reports had been made internally. This would help to target training and identify any knowledge gaps.
- It was noted that over a thousand requests for information were received each year. There was a target of responding to Freedom of Information requests within a certain timeframe of 90%. Last year 89.4% had been achieved.
- Councillor Harper asked whether information regarding right to be forgotten requests could be provided in future reports. The Assistant Director Governance indicated that it could. The number of requests received had been small.
- A number of typos were identified which would be amended.
- Mike Drake praised the report and asked about benchmarking with similar councils. The Assistant Director Governance indicated that he would provide this information for the next meeting. More comprehensive information could be included in the next report.
- The Chair questioned whether information regarding requests received also included those requests which had been rejected due to the level of resources that would be required to respond. The Assistant Director Governance did not believe that any requests had been rejected. The Chair suggested that this information be added to the report.
- Councillor Smith again expressed surprise that Internal Audit were not due to audit cyber security earlier, given its vital importance. The Chair commented that it would be audited twice over three years.
- Councillor Smith asked for more information on the type of data breaches. The Assistant Director Governance agreed to provide more information.
- With regards to fostering a culture of self reporting, Councillor Davies questioned how a balance could be created. The Assistant Director of Governance agreed that a balance was important. However, if a pattern of conduct was identified it would be picked up through the disciplinary process or capability process if it related to a significant one off matter.
- Councillor Newton noted that the number of Freedom of Information requests had decreased, and that this may have helped to raise the percentage of achievement. The number of hours taken had also decreased. He questioned whether the resource in the team had decreased, and if the number of requests increased whether officers would be able to respond sufficiently. The Assistant Director Governance indicated that the resources were largely the same. Improved information on the Council's website may have helped to reduce the number of requests for information.
- Councillor Newton thanked officers for the improvements made.

RESOLVED: That the 2022/23 SIRO Annual Report be noted.

22. FORWARD PROGRAMME 2023-24

The Committee considered the forward programme for the remainder of the municipal year.

During the discussion of this item, the following points were made:

- Members questioned whether any of the November items could move to the September meeting. The Assistant Director Governance commented that the Annual Governance Statement could potentially be taken to the September meeting.
- It was noted that an update on the 2020/21 audit was no longer required.

RESOLVED: That the forward programme for the remainder of the municipal year be noted.


| ACTION | OFFICER | ONGOING/CLOSED |
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| <p>JUNE MEETING - Councillor Harper referred to Risk 14 Children's Safeguarding and the fact that a recent Ofsted inspection had scored Requires Improvement. He questioned whether there should be a separate risk around Children's Services. He felt that Risk 14 was overly narrow. The Chief Executive stated that within the detail of the report more detail had been included around some of the improvements made. When a judgement of Requires of Improvement was made it was a journey of improvement. Councillor Harper suggested that the mitigating actions be amended to highlight some of the improvements made.</p> | <p>Governance and Risk Manager / Director Childrens Services</p> | <p>Open. Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |
| <p>JUNE MEETING - Councillor Newton suggested that it would be helpful to include an explanation as to why a risk had not been mitigated.</p> | <p>Governance and Risk Manager</p> | <p>Open. Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |
| <p>JUNE MEETING - Councillor Newton questioned whether all the mitigations listed could have a month as well as a year target. He also suggested that an additional column could be included after the dates of the mitigating actions column, to show whether mitigating actions were on track or not.</p> | <p>Governance and Risk Manager</p> | <p>Open. Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |

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| <p>Councillor Newton went on to state that some of the dates had passed, and questioned whether this was the result of timing, or other issues. The Governance and Risk Manager responded that the suggested format changes could be made.</p> | | |
| <p>JUNE MEETING - With regards to Risk 2 Corporate Governance, Mike Drake suggested that the review of the Corporate Risk Register by the Audit Committee be included as control.</p> <p>With regards to Risk 8 Cyber Security, Mike Drake asked whether the Council's cyber security measures were tested and if so if they should be included as a control.</p> | <p>Governance and Risk Manager</p> | <p>Open.</p> <p>Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |
| <p>JUNE MEETING - Review rating of Risk 9 Deliver Council's Climate Emergency Action Plan.</p> | <p>Governance and Risk Manager/CLT</p> | <p>Open.</p> <p>Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |
| <p>JUNE MEETING - The Assistant Director Governance indicated that the governance of council owned companies was discussed, and consideration would be given as to whether it should be included on the Corporate Risk Register.</p> | <p>Governance and Risk Manager</p> | <p>Open.</p> <p>Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September.</p> |
| <p>Councillor Smith noted that senior officers had received training on the respective roles of officers and Members and working together, and asked whether this could be provided to Members.</p> | <p>Assistant Director Governance</p> | <p>Open.</p> <p>LGA has been asked to support this training.</p> |
| <p>JUNE MEETING - Councillor Harper questioned the section headed Openness</p> | <p>Assistant Director Governance</p> | <p>Open.</p> <p>Constitution review to start</p> |

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| and Comprehensive Stakeholder Engagement, and referred to a specific example relating to a petition and a Motion. The Assistant Director Governance indicated that there would be a Constitution Review and this issue would be picked up as part of this. | | shortly (through CRWG) and reported to full Council later in municipal year. |
| JUNE MEETING - The Chair also referred to a skills audit of the Committee members and private meetings between the Committee and the auditors, without officers present. | Governance and Risk Manager/Assistant Director Governance | Open – skills audit. Open – private meetings with auditors. |
| JUNE MEETING - Councillor Davies referred to Risk 4 of the Corporate Risk Register around uncontrolled building, which referenced the Local Plan Update which was due to be agreed by the Executive in July. He questioned whether Regulations 18 and 19 could be referenced within the risk. | Governance and Risk Manager | Open. Actions will be addressed in next iteration of Corporate Risk Register to be considered by Committee on 27 September. |
| JULY MEETING - The Committee asked for sight of the risk registers for the 15 individual projects under the Safety Valve Programme. | Director Children's Services | Open |
| JULY MEETING – Risk Management Policy and Guidance Members highlighted a number of instances where the Committee was still identified as undertaking its previous role. Officers agreed to review the documents and make amendments as necessary. | Governance and Risk Manager | Open. |
| JULY MEETING - Councillor Smith was of the opinion that the verification process around risk management could be better explained in the policy. The Governance and Risk Manager outlined the challenge process and | Governance and Risk Manager | Open. |

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| <p>indicated that he would review the Guidance to ascertain how this could best be reflected.</p> | | |
| <p>JULY MEETING - The Chair suggested that the word 'challenge' be used in the documents. She went on to suggest that reference be made to the Risk Management Group receiving feedback from the Audit Committee.</p> | <p>Governance and Risk Manager</p> | <p>Open.</p> |
| <p>JULY MEETING - With regards to Appendix 2 examples of risk categories, Councillor Harper questioned why reputational risk was not referred to in this section. He went on to suggest that the impact on residents be further emphasised under the impact scores section.</p> | <p>Governance and Risk Manager</p> | <p>Open.</p> |
| <p>JULY MEETING - Councillor Newton went on to comment that the relevant Executive Member was made aware of key risks in their area. He stated that risks were a corporate responsibility and suggested that the Audit Committee and relevant Overview and Scrutiny Committees also be made aware of significant risks so that they could be satisfied that it was being addressed. The Assistant Director Governance indicated that Officers would look at the suggestion around risk management.</p> | <p>Governance and Risk Manager/Assistant Director Governance</p> | <p>Open.</p> |
| <p>JULY MEETING – SIRO Report Councillor Harper asked whether information regarding right to be forgotten requests could be provided in future reports.</p> | <p>Assistant Director Governance</p> | <p>Open.</p> |

| | | |
|---|--------------------------------------|---------------------|
| <p>JULY MEETING - Mike Drake praised the report and asked about benchmarking with similar councils. The Assistant Director Governance indicated that he would provide this information for the next meeting. More comprehensive information could be included in the next report.</p> | <p>Assistant Director Governance</p> | <p>Open.</p> |
| <p>JULY MEETING - The Chair questioned whether information regarding requests received also included those requests which had been rejected due to the level of resources that would be required to respond. The Assistant Director Governance did not believe that any requests had been rejected. The Chair suggested that this information be added to the report.</p> | <p>Assistant Director Governance</p> | <p>Open.</p> |
| <p>JULY MEETING - Councillor Smith asked for more information on the type of data breaches.</p> | <p>Assistant Director Governance</p> | <p>Open.</p> |



**Wokingham Borough
Council
Auditor's Annual
Report**

📅 Year ended 31 March 2021

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of Wokingham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit Committee and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 15 September 2021. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;

2 Conclusions relating to going concern; and

- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2020/21 Conclusions

| | |
|--|--|
| Financial statements | Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor's report on 21 July 2023. |
| Going concern | We have concluded that the Deputy Chief Executive (S151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| Consistency of the other information published with the financial statement | Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts. |
| Value for money (VFM) | We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03. |
| Consistency of the annual governance statement | We were satisfied that the annual governance statement was consistent with our understanding of the Council. |
| Public interest report and other auditor powers | We had no reason to use our auditor powers. |
| Whole of government accounts | We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report. |
| Certificate | We are issuing our certificate at the same time as this report. See Appendix D. |



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 21 July 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 March 2023 Audit Committee meeting and circulated our final Audit Results Report on 18 July 2023. The audit was significantly delayed due to the delay in receiving the final IAS 19 assurances from Deloitte, as auditors of the Berkshire Pension Fund. During the delayed period, two additional national issues arose which further added to the time taken to complete the audit, the accounting for infrastructure assets and the issuance of the triennial valuation of the pension fund as at 31 March 2022.

We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported four significant matters arising from the audit to be reported to those charged with government and five areas for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Risk of fraud in revenue and expenditure recognition

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

Our work did not identify any material weaknesses in the design or operation of controls or evidence of material misstatements, whether due to fraud or error. Our work did not identify any other transactions during our audit which appeared unusual or outside the organisation's normal course of business.

Risk of misstatements due to fraud or error - specifically in inappropriate capitalisation of revenue expenditure

The financial statements as a whole are free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

Our work did not identify any material misstatements from inappropriate capitalisation of revenue expenditure and we did not identify any material weaknesses in controls or evidence of material management override in relation to capitalisation of revenue expenditure. We did not identify any instances of inappropriate judgements being applied.



Audit of the financial statements (continued)

| Significant risk | Conclusion |
|---|---|
| Valuation of Land & Buildings in Property Plant and Equipment (PPE) and Investment Property (IP) | <p>The value of land & buildings in PPE and in IP represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We identified no evidence that management had attempted to override internal controls or any instances of inappropriate judgements being applied, with the exception of those noted below. We instructed our property valuation specialists to review a sample of ten of the valuation performed by the Council classified as PPE and a further two classified as IP. The review concluded that the valuations were based on reasonable and supportable assumptions, with the exception of the three assets noted below.</p> <p>From our work, we are satisfied with the valuation of Land and Buildings in PPE and IP, with the exception of the following issues. The issues identified in relation to the valuation of PPE assets do not affect the bottom line and relate to the application of indexation to assets that were disposed in year, the classification of assets as PPE which should have been reclassified as inventory, the asset register not being fully up to date which resulted in one asset being omitted from the financial statements, and an overstatement in both the cost and accumulated depreciation of council dwellings, which did not impact on the net book value. In addition, we reported findings in relation to two PPE assets and one IP asset where there was a difference in opinion between professional experts, being our property valuation team and the Council's valuers.</p> |
| Accounting for infrastructure assets | <p>Nationally, audit firms identified an issue with the accounting treatment for infrastructure assets. Across the country, authorities had not been keeping sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out.</p> <p>Changes were made to the Local Authority Accounting Code by CIPFA and DLUHC issued a Statutory Instrument to temporarily change accounting rules in this area. The Statutory Instrument and Code update temporarily resolve the derecognition and existence issues identified above, and the Council chose to adopt the statutory override, and amended the disclosures in its financial statements to comply with the revised requirements. We are satisfied the changes made, following further minor amendments to disclosure as a result of our work, are in line with the revised Code. The Statutory Instrument and Accounting Code are only expected to provide a temporary solution to this issue, with the Code update only currently extending to 31 March 2025. It is not yet known what the long term requirements to this issue will be. We therefore recommend the Council should develop more granular accounting records and/or further supportable estimation techniques to allow for infrastructure assets and components to be derecognised when they are replaced, and to demonstrate the continued existence of assets accounted for.</p> |



Audit of the financial statements (continued)

Other findings

We set out below other findings which were reported to the Audit Committee at the completion of the audit

| Area of audit focus | Conclusion |
|---|--|
| Accounting for Covid-19 related government grants | <p>We identified a number of grants that were incorrectly accounted as either the Council acting as principal instead of agent or vice versa.</p> <p>The net impact of this adjustment reduced gross revenue expenditure and income by £23.8m which consequently led to the downward revision of our materiality calculation, but had no impact on the bottom line.</p> |
| <p>Net Pension Liability Valuation</p> <p>25</p> | <p>The significant delay to the audit was mainly due to a delay in receiving the final IAS 19 assurances from Deloitte, as the auditors of Berkshire Pension Fund.</p> <p>The Council requested an updated IAS19 report from the Berkshire Pension Fund actuary following the identification of a material adjustment to the Fund's Statement of Accounts. We assessed the work of the Pension Fund actuary, including the assumptions they used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors. We have also considered the relevant reviews by the EY actuarial team and have not identified any issues.</p> |
| Going Concern | <p>Our review of the going concern disclosure identified areas for improvement which were addressed by management in its subsequent disclosure of the going concern, such as minor wording changes and bringing the assessment up to date to the point of signing the audit report. Based on our work performed the revised going concern disclosure was sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.</p> |
| Accounting for Public Finance Initiative (PFI) | <p>We had no issues to report as we found that the PFI entries and disclosures for the Council's 2020/21 accounts were appropriate.</p> |
| Cash and cash equivalents | <p>It was determined that the Council's accounting policy for cash and cash equivalents correctly applies the criteria within IAS 7, however, management had not been correctly following the policy. This resulted in a reclassification on the face of the Balance Sheet of £28m, between cash and cash equivalents and short-term investments.</p> <p>We also identified that limited progress has been made by the Council to ensure that regular bank reconciliations are performed and that there are no unexplained differences between the Council's accounting records and statements from the relevant institutions. The unexplained differences in 2020/21 was £260k, which is below our reporting thresholds. However, we recommend reconciliations should be performed on a regular basis to ensure appropriate record keeping and prevent any undetected irregularities.</p> |
| Group Accounting | <p>We reviewed the consolidation of the group entities into the group financial statements and reviewed the work performed by the component auditors on the group entities and had no issues to report.</p> |



Audit of the financial statements (continued)

Other findings

In our final Audit Results Report to the Committee, we highlighted a number of areas for the Council to consider as it prepares accounts in future years. We include the most significant of those points here.

IAS 19 assurances: The auditors of the Berkshire Pension Fund provided the Council's IAS19 employee benefit local government Pension Fund assurances in mid-January 2022. These assurances contained a caveat stating that their work was ongoing at the time of its issuing and that there was still a risk of material matters arising. We continued to liaise regularly with the auditor of the Pension Fund and received their final assurance letter on 28 April 2023. We further challenged the Pension Fund auditors regarding wording included in the final assurance letter regarding significant control weaknesses identified during their audit of the Pension Fund and received sufficient assurance that where issues directly impacted their responses to the requested procedures they have included relevant wording within the responses in the letter. The delay in receiving the final letter of assurance was outside the Council's control. However, the Council should continue to work with their colleagues at Berkshire Pension Fund to reduce any delays for 2021/22 and into the future as much as possible.

Minimum Revenue Provision (MRP): Wokingham Borough Council is required, under the 2003 Local Government Act, to charge Minimum Revenue Provision (MRP) to its revenue account in each financial year. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued periodically by the Department for Levelling Up Housing and Communities (DLUHC). Whilst the Council has accounted for MRP in line with its own policy, this is not fully aligned to the suggested approach outlined in the regulations. The policy has been agreed by Council with delegation to the Section 151 Officer, and Regulation 28 states it is for the Council to determine what constitutes a minimum revenue provision. In the light of expected revised guidance from DLUHC, the Council may need to review its current policy to ensure it meets future legislative requirements and good practice.

Whistle-blower allegation: In October 2022, we received an anonymous whistle-blowing allegation. In agreement with the Council, we engaged a specialist to assist the audit team in evaluating and investigating the allegations made. Based on our work, we did not identify a significant weakness in the proper arrangements to secure value for money but have raised two recommendations which can be found on pages 11 and 22 of this report.

Quality of the Statement of Accounts: Although the Council published its Statement of Accounts published by the 30 July 2021, these had gaps in disclosed information due to the ongoing audit and finalisation of the 2019/20 Statement of Accounts at that stage. The finance department further continued to experience capacity constraints during the year with finance officers stretched during the preparation of these accounts. We are aware the Council has reviewed finance staff capacity and have recruited new staff to improve resilience within the finance team. We have also agreed that we will carry out a review of the 2020/21 audit to assess what worked well, and what we can jointly improve, to ensure a smoother and more timely audit. Taken together, these measures should reduce the amount of time required for the audit.

Amendment to the cyclical PPE valuation programme: Following on from the 2020/21 audit, we understand that management proposes to employ an external valuer to value the Council's PPE assets for the 2021/22 financial statements, as it does for its annual valuation of its investment properties. The intention will be that the Council's internal valuer will provide an initial challenge of the external specialist's assumptions, and provide greater assurance to the finance team preparing the financial statements. We agree this will provide the opportunity for additional challenge. We recommend that the valuer values a proportion of all the Council's asset types each year (rather than by category type every 5 years) so that the Council has a benchmark for indexation should it need it.

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 30 March 2022 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Deputy Chief Executive (S151 Officer), the Assistant Director of Governance, the Assistant Director of Finance and evaluation of associated documentation through our regular engagement with Council management and the finance team. As part of this assessment, we considered the conclusions from our work undertaken following receipt of a whistle-blower allegation. We concluded that there is no evidence to substantiate the allegation made, and whilst the Council could improve its governance arrangements to oversee working with charities, there was no evidence of a significant weakness in the proper arrangements.

Reporting

We completed our risk assessment procedures in March 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2020/21 is set out over pages 10 to 21. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2020/21. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

| Reporting criteria | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|--|---|---|
| Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services | No significant risks identified | No significant weaknesses identified |
| Governance: How the Council ensures that it makes informed decisions and properly manages its risks | No significant risks identified | No significant weaknesses identified |
| Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services | No significant risks identified | No significant weaknesses identified |



Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

We concluded in our initial risk assessment that the 2020/21 Revenue Outturn Report reflected the efficiency of the in-year monitoring measures as the Council contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. In 2020/21 the Council reported an underspend of £788k against a budget of £148m. Following the start of the Covid-19 pandemic, the Council reacted quickly to enhance financial management during the crisis. The Council's finance staff worked closely with Directors and key stakeholders to challenge and update forecasts based on a continually changing climate.

We have reviewed the 2021/22 Revenue Outturn Report and the Council achieved an underspend of £49k against a budget of £150m. The budget position was monitored throughout the financial year due to the ongoing impact from Covid-19, and significant cost pressures arising in Children's Services on Dedicated Schools Grant (DSG) which had a £4.2m adverse impact.

The Council agreed a balanced budget for 2022/23 at Council in February 2022. The revenue budget for 2022/23 was set at £161.3m, and amended to £162m in year. The final outturn report is showing an underspend of £83k, despite a final adverse variance of £3.3m against budget for the DSG - this was forecast to be an adverse variance of £6.4m at Q3.

28 Reports demonstrate action being taken by the Council in response to identified cost pressures. Specifically, in relation to DSG, the Council has been admitted to the DfE safety valve programme from September 2022 which will provide additional support to the Special Educational Needs Innovation & Improvement Programme / DSG Deficit Management Plan already put in place.

Finally, we have considered the available information for 2023/24, which is a report to the Executive in January 2023. This indicates that whilst there are ongoing challenges, a balanced budget was approved by Council in February 2023.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

During the period since our initial assessment of the proper arrangements for informed decision making, we have held regular (at least monthly) meetings with management, reviewed minutes of key meetings and attended every Audit Committee. There have been no indications of fundamental failures in the proper arrangements considered in our initial risk assessment.

During 2020/21, the Council set up a Risk Champions Group. The group is largely made up of Assistant Service Directors who are directly involved with the identification of risks and updating the Corporate Risk register. This is a direct action which shows the Council's commitment to embed an increased culture of risk management on a day-to-day basis. Work has been undertaken to align the Corporate Risk Register to the Council's Strategic Objectives, as well as updating the risk residual risk after mitigation and the Council's risk appetite for each risk.

29 The audit identified a number of adjusted, and unadjusted errors across the financial statements. We considered whether this represents a risk of significant weakness in the proper arrangements to ensure there are proper processes in place to have relevant, accurate and timely information to support statutory financial reporting requirements. We have reported, within our Audit Results Report, a control recommendation for the Council to continue to strengthen capacity in its finance team, allowing time for more robust quality assurance review of the financial statements before being presented to audit; and also in the area of asset valuations and accounting for capital receipts. The Council has accepted that improvements are needed in these areas, and this has been reported to the Audit Committee. We do not judge these findings to be so significant that they indicate a weakness in the proper arrangements at the Council.

In October 2022, we received an anonymous whistle-blowing allegation. In agreement with the Council, we engaged a specialist to assist the audit team in evaluating and investigating the allegations made. Based on our work, we did not identify a significant weakness in the proper arrangements to secure value for money. In summary, whilst noting a lack of documentary evidence to support transactions and decisions, we did not identify any evidence to substantiate the whistle blower's allegations and we concluded there was no evidence of misuse of Council funding. However, the level of evidence supporting the payments highlighted in the whistle-blowers' allegation was relatively limited, and the Council was unable to provide any overarching agreement between it and the related party to clarify what level of service was expected for the funding provided/payments made. This has left the Council open to challenge.

We conclude that this is not a significant weakness in the proper arrangements for governance within the Council. However, we have identified recommendations for the Council to improve the arrangements in this area.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to make informed decisions and properly manage its risks.

Recommendations:

The Council should ensure that sufficient information is retained to support payments made, including documentation supporting any judgements made by the Council and the authorisation process that payments have been through.

The Council should put service level agreements in place where it is commissioning services in return for funding.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have held regular (at least monthly) meetings with management, reviewed minutes of key meetings and attended every Audit Committee, during the period since our initial assessment of the proper arrangements for informed decision making. There have been no indications of fundamental failures in the proper arrangements considered in our initial risk assessment.

Any issues identified by internal audit are monitored via the Audit Committee and reported regularly through the year. Internal Audit reports are used to inform which services need improvement.

During 2020/21 Internal Audit performed a follow up audit following a category 3 (Range of mitigation controls is incomplete, and risks are not effectively mitigated) audit opinion regarding housing rents in 2018. This follow up review raised a number of additional concerns which the Council has addressed. These included a breach of the Rents Standard for which the Council reported themselves to the Regulator. Management acted swiftly to strengthen controls over the rents of new lets.

Internal Audit also identified that both the decision not to apply rent flexibility or market rents to high income tenants had not been ratified. Further work on the Rent Standard by the Council has identified awareness and some governance weaknesses. The Council identified that it lacks the expertise to set rents in accordance with the standard and currently there is a dependency on Housing Finance Associates (HFA) to provide the annual rent setting information.

In July 2019, the Council declared a climate emergency and during 2020/21 developed an action plan, which was published in July 2021, which set out eight key priority areas to focus on mitigating CO2 emissions. The plan also set out clearly the oversight and scrutiny to be put in place to focus on scrutinising the emerging targets and key performance indicators underpinning the Action Plan. The Group has made 14 recommendations to the Council on ways to help to strengthen the Action Plan, making it more robust, transparent and evidence based.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

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Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Council sets out its service delivery objectives in its Corporate Delivery Plan 2020-24. This includes service delivery objectives for the short-term and forms the basis of strategic planning, including short-term and medium-term financial plans, under the following five themes or Platforms: Right homes, right places; Keeping the Borough moving; A Clean and Green Borough; Changing the way we work and Be the best we can be. To support the development of these financial plans, the Council uses both internal and external sources of information at its disposal.

The Council prepares an annual revenue budget as part of its short-term financial planning. The 2020-21 Revenue Budget was set as a balanced budget and compiled within the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. In addition to the national context, the Council's budget strategy has also taken account of pressures and risks such as inflation (the largest source of cost pressure); income generated by the Council which may be affected by lack of demand; impact of increasing demand for such services as homelessness and adult social care and withdrawal of funding by partners, potentially losing funding for key priorities. The Council has held a working balance and other earmarked reserves to help mitigate these risks. It further agreed a budget strategy in 2020/21 to meet these challenges through the following major work streams - developing commercial income; investing in property; tackling homelessness; and delivery of a new customer and digital strategy.

The Council also continued to pursue savings through efficiency reviews, procurement, and base budget reviews.

The Council prepares a three-year revenue budget as part of its medium-term financial planning (MTFP). The budget strategy for 2021/22 to 2023-24 was prepared with the aim to deliver the Council's service delivery objectives outlined in its 'Corporate Delivery Plan'.

Revenue and capital budgets are monitored throughout the financial year by the Section 151 Officer and reported on a quarterly basis to the Executive. Any areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate management meetings.

How the body plans to bridge its funding gaps and identifies achievable savings

The annual budget setting process begins in May/June each year, each service is responsible for identifying any budget pressures and potential savings. A preliminary draft budget is then prepared which is informally shared with the S151 Officer and the leading political party. Following this, the preliminary budget, including any budget gaps are presented to the Overview and Scrutiny Committee (OSC) for challenge. Throughout the autumn the Council works to close the gap and update the budgets based upon the local government finance settlement. The Council identifies budget gaps for the next three years during the budget setting process.

Once the budget has been set and approved, it is monitored throughout the financial year by the Section 151 Officer and reported on a quarterly basis to the Executive Committee. Although budget gaps for future years are determined as part of the annual budget setting process these funding gaps for future years are not reported in the annual budget but are identified and discussed internally. These factors are then considered in the drafting of the 2021-24 MTFP against the Council's Base Budget Gap and identified service efficiencies. For 2021/22, the total pressures outweigh the service efficiencies. Per the medium term financial plan it is noted that the difference will be required to be funded via council tax rises.

Appendix A – Summary of arrangements (continued)

Financial Sustainability

Reporting Sub-Criteria

Findings

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Over the past years, the Council has faced a number of demand led pressures during the year. These underlying pressures are considered as part of the budget process and trend analysis shows an improving trend in reducing the demand led pressures through in year management action plans as well as addressing pressures when setting the following year budget. This strong financial management has allowed the Council to meet demands whilst maintain prudent reserve balances. 2020/21 was a unique year in which Covid-19 brought upon extra pressure not expected. The Council continued to lobby for additional funding to cover the financial impact from Covid-19.

As documented on the prior page, the Council has detailed its service delivery objectives in its Corporate Plan which covers the 2020-24 period. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed. These plans detail the likely costs associated with the Council's strategic and statutory priorities; any budget gaps that may arise from reduction in government funding; and planned savings strategies to bridge any gaps between available funding from taxation and the cost of services.

Progress towards achieving these objectives is monitored by the Corporate Leadership Team throughout the year. Quarterly and annual reporting on this progress is presented to Executive with remedial actions discussed and subsequently actioned, where necessary.

Any new service investment made must meet either objectives within the corporate plan or be a new statutory obligation.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

As part of the Council's short-term and medium-term financial planning process, it develops an annual capital investment strategy which is approved by the Council alongside its revenue budget for the year. The Investment Strategy is also aligned to the Council's Corporate Plan and identifies the capital investments required to achieve set service delivery objectives. The strategy sets out the cost of financing the required capital and any other financial impact. The revenue budget is also updated to reflect the latest information regarding the delivery of the capital programme.

The capital investment strategy includes such initiatives as investing in commercial properties in order to bring additional income into the Council and includes the regeneration of Wokingham Town Centre as well as investing in new leisure centres.

The Council works with other bodies, such as operating a shared legal service, internal audit & investigations service and operational property service with the Royal Borough of Windsor and Maidenhead, a building control service with Royal Borough Windsor and Maidenhead and West Berkshire, and a reprographics service with Bracknell Forest Council. The financing of these are included in the budget setting process.

Government initiatives have furthermore placed great emphasis on partnership working for service delivery to help meet the changing needs of customers and the cost savings authorities need to find. To achieve this goal Wokingham Borough Council, Reading Borough Council and Bracknell Borough Council have developed a partnership arrangement for the PFI recycling scheme.

Appendix A – Summary of arrangements (continued)

Financial Sustainability

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

The Council manages its financial resilience risk through the following implemented measures:

- The Council publishes detailed short-term and medium-term financial plans that are aligned to its Corporate Plan and includes actions to ensure financial sustainability as discussed above
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council's plans as discussed above
- Reporting of financial performance against above set financial plans on a quarterly basis to the Executive as discussed above; and
- Risk management processes to identify, monitor and address risks.

The Council has established a Risk and Opportunity Management Strategy for the 2021-23 period. The purpose of this strategy is to serve as framework for the delivery of the Risk and Opportunity management function and to provide guidance on developing risk and opportunity management as a routine process for all services. Risk and Management Opportunities identified are monitored continuously throughout the year, with quarterly reporting to the Audit Committee.

The Council reacted quickly to enhance financial management during the Covid-19 crisis with the Council's finance staff working closely with Directors and key stakeholders to challenge and update forecasts based on a continually changing climate. Enhanced financial management arrangements have included:

- Ensuring there is clarity with regards to genuine expenditure decisions with regard to Covid-19 related spend (as opposed to the necessity to discharge our statutory responsibilities).
- Seeking to maximise opportunities to deliver on MTFP savings plans, recognising that staff remain significantly diverted to the Covid response phase.
- Exploring reduced expenditure opportunities arising as a result of Covid-19 or otherwise, including a review of Special Items.
- Maintaining a weekly financial review of the Covid-19 impact including collection rates and Direct Debit failure rates on major income streams.
- Initiating an early MTFP review process tailored to identify areas of relative financial certainty and high-risk areas of greater ambiguity.
- Reviewing non-General Fund balances to assess risks and potential options to transfer balances to the General Fund reserve (if the General Fund position becomes perilously low).
- Continuing to make representations for additional funding through Government Returns, Regional Conference calls and MPs.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly.

The Council has a risk management framework which guides the development of risk and opportunity management at a strategic and operational level and to ensure that they are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protect its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Register, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. These risks are regularly monitored and reported in-year to the Audit Committee to ensure that progress in addressing these risks is monitored throughout the year.

The Council also has an internal audit service in place which provides the Council with information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. Quarterly reporting by internal audit to the Audit Committee is also in place which ensures that efficient and effective assurance arrangements are in place to assist in the management of risk and performance.

The Council has a fraud team in place with responsibility for investigating fraud and carrying out verification work on issues such as Council Tax discount and investigations into NFI matches which also reports to the Audit Committee.

How the body approaches and carries out its annual budget setting process

The Annual Budget process including the responsibilities and procedures in the annual budget process is set out in Chapter 12. Financial Regulations within the Constitution of the Council.

As mentioned above, as part of the budgeting process, the Council seeks to reconcile corporate and business plans and strategies with the relevant resources which includes the finance department. This process commences with a series of strategic initiatives with inputs from the various stakeholders. Like the establishment of the Council's Medium-Term Financial Plan and Medium-Term Capital Strategy, the Authority has an implemented budgeting system that allows for the alignment of its annual budget to the priorities and commitments in its Corporate Plan.

The Council refreshes the MTFP and agrees the budget strategy for the forthcoming year in February. Managers are then tasked to review their budgets and to confirm details for additional income or savings plans through a detailed financial planning exercise. Subsequently, the overall savings plan is checked and consulted on prior to initial consideration by the Overview and Scrutiny Committee in October/November/December and then subsequent approval by the Executive in the following February, alongside an updated MTFP. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the Council in February.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The processes and systems in place to ensure budgetary control have been set out in Chapter 6 of the Constitution. Furthermore, each budget line has an assigned budget manager who is responsible for managing the budget. Monthly budget monitoring packs are produced by the finance team and shared with managers to assess current financial performance shortly after the month end. The finance team meet with the budget managers to review the budgets and identify both areas of financial pressure and underspend. If required, the Council will also hold a series of contingency budgets which are available to meet pressures identified. This feeds into the quarterly reporting of the revenue and capital budgets to the Executive. This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Primary oversight is the responsibility of the Council with some aspects delegated to the Executive. This meets regularly and key issues are raised and addressed with effective challenge from members.

All decisions of the Council and committees are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. A set corporate template is also used to ensure that all of advice needed to make a decision is provided. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds.

To allow for transparency, the Council also ensures that it:

- Publishes relevant information relating to salaries, business interests and performance data on its website
- Has a procurement team who provide advice and issue clear guidelines for procuring goods and services
- Publishes information to the Council and its committees as part of established accountability mechanisms
- Prepares an Annual Governance Statement
- Prepares a Corporate Plan as discussed above.

The Council is furthermore committed to the publication of transparent performance information on its website, which includes the Council's budget reports; operational performance reports; Medium-Term Financial Plan; Corporate Plan; Statement of Accounts; Annual Governance Statement and Information as required under the Local Government Transparency Code.

There is also evidence of good arrangements in place to monitor the implementation of internal audit recommendations by the Audit Committee. Internal audit progress reports are presented on a quarterly basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

Appendix A - Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Findings

The roles of both members and officers of the Council are outlined in the Code of Conduct included within the Council's Constitution. If any member breaches the Code of Conduct, there is a resolution and complaints process administered by the Council's Monitoring Officer.

The Council is transparent about how decisions are taken and recorded by:

- Ensuring that decisions are made in public and recorded. Those decisions and any relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government) and
- Having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees, governing body members and members of panels/committees and sub-committee.

The Council maintains a register of member interests which is available to the public and published on its website. Regular training is provided to members on standards issues, so all members are aware of the requirements. Each member and officer are expected to complete a return on any gifts of hospitality.

The Council has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Council also ensures that effective, transparent, and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

| Reporting Sub-Criteria | Findings |
|---|---|
| How financial and performance information has been used to assess performance to identify areas for improvement | <p>As discussed above, organisational performance management is undertaken through a quarterly review of the targets, outputs and outcomes - the quarterly reports are considered by the Council's Leadership Team, Executive and Overview and Scrutiny Committee.</p> <p>Key performance indicator (KPI) outcomes are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of Council activities under each KPI. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms through quarterly Platform performance meetings.</p> <p>Each Head of Service works within the above arrangements and is responsible for assisting in the process of both identifying and addressing areas of improvement within their service areas. Where services are linked and have shared Platform outcomes, officers deliver performance improvements through multidisciplinary arrangements. These performance arrangements are integrated with financial management and budget forward planning arrangements.</p> <p>Furthermore, any issues identified by internal audit are monitored regularly via the Audit Committee. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.</p> |
| How the body evaluates the services it provides to assess performance and identify areas for improvement | <p>As set out above, the Council's service delivery objectives are detailed in its Corporate Plan, KPIs are reviewed on a quarterly basis.</p> <p>Most services have performance information and standards used to compare and assess performance with other councils or with national recognised performance frameworks (e.g Housemark, DWP, national planning indicators).</p> <p>Internal audit and customer feedback are also used to inform which services require improvement.</p> |
| How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve | <p>The Council has developed a Consultation Policy which reflects the Council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are several ways people can get involved and connect with the council. Residents have the option to engage in a dialogue through social media sites (including Facebook and twitter), petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local councillor.</p> <p>There is also a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government Ombudsman.</p> <p>The Council's Constitution sets out the principles and protocols required for partnership working in Chapter 10. This section describes the principles of effective partnership working and the steps to be taken to ensure that partnership working includes strong governance arrangements, the management of risk and clearly defined outcomes.</p> <p>The Council and Wokingham Clinical Commissioning Group (Wokingham CCG) are partners in the provision of services as part of the Better Care Fund (BCF) and the Council is also a member of a number of other partnerships as set out above.</p> |

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Findings

The Council has published Contract Standing Orders which detail how the Council procures services as part of the constitution in Section 13, Procurement and Contract Rules and Procedures. The rules and procedures ensure that expenditure delivers 'quality, value for money and is compliant with the relevant legislation'. The Council also has a team of qualified procurement officers supported by Shared Legal Solutions ("SLS") team for advice on issues of precedence and the law relating to Council contracts.

In line with the above-mentioned standing procedures, any procurement over £50,000 must be referred to the Council's procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. Furthermore, the council will commission external expert advice where a proposed procurement is particularly complex or difficult.

The Corporate Strategy for Procurement, Commissioning and Contract Management within Wokingham Borough Council was approved at the Executive in July 2021. The oversight of procurement and contract management is undertaken by a Strategic Procurement Board and contract management and is supported through a Contract Management Learning and Support Working Group. As with all financial matters, overall governance remains with the Council's Section 151 officer (or nominated deputy).

The remit of the Board is to provide a check point and gateway for all procurements for the Council; this checkpoint includes the validity of future procurements based on need and corporate priorities, clearly demonstrated in a business case. All procurements will require sign-off by this Board prior to the procurement process being commenced.

The Board requires updates on the ongoing contract management of the significant and prime contracts within the Council. This includes a joint briefing from both the Council's contract manager and the client manager within the supplier/provider. These may be subject to review by Overview and Scrutiny Committee at the Committee's request.

The Contract Management Learning and Support Group provides a forum of best practice around the management of the key contracts within the Council and a support group for all officers who have a remit to manage contracts in the Council. The Chair of the Group reports regularly to the Strategic Procurement Board. The Group comprises of officers who have a large number of contracts under their control or single contracts of high value. The Group shares and publishes any lessons learned and examples of best practice on a regular update through the Council's Sharepoint site and internal communications. The Chair and/or vice Chair provides regular updates to the Deputy Chief Executive and Assistant Director Finance on the outcome of Group meetings and any significant procurement and contracting issues identified.

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2020/21. All recommendations have been agreed by management.

| Issue | Recommendation | Management Response |
|--|--|--|
| <p>Financial statements: Although the Council published its Statement of Accounts published by the 30 July 2021, these had gaps in disclosed information due to the ongoing audit and finalisation of the 2019/20 Statement of Accounts at that stage. The finance department further continued to experience capacity constraints during the year with finance officers stretched during the preparation of these accounts.</p> | <p>The Council should continue to strengthen capacity in its finance team, allowing time for more robust quality assurance review of the financial statements before being presented to audit; and also in the area of asset valuations and accounting for capital receipts.</p> | <p>The Council has reviewed finance staff capacity and has recruited new staff to improve resilience within the finance team.</p> |
| <p>Financial statements: Following on from the 2020/21 audit, we understand that management still propose to employ an external valuer to value the Council's PPE assets for the 2021/22 financial statements, as it does for its annual valuation of its investment properties.</p> | <p>We recommend that the valuer values a proportion of all the Council's asset types each year (rather than by category type every 5 years) so that the Council has a benchmark for indexation should it need it.</p> | <p>The intention will be that the Council's internal valuer will provide an initial challenge of the external specialist's assumptions across all asset types, and provide greater assurance to the finance team preparing the financial statements. This will provide the opportunity for additional challenge.</p> |
| <p>Value for Money: The level of evidence supporting the payments highlighted in the whistle-blowers' allegation was relatively limited.</p> | <p>The Council should ensure that sufficient information is retained to support payments made, including documentation supporting any judgements made by the Council and the authorisation process that payments have been through.</p> | <p>This recommendation has been fully addressed through the strengthening of internal controls in this area led by the Head of Community & Partnerships.</p> |
| <p>Value for Money: The Council was unable to provide any overarching agreement between it and the related party highlighted in the whistle-blowers' allegation to clarify what level of service was expected for the funding provided/payments made.</p> | <p>The Council should put service level agreements in place where it is commissioning services in return for funding.</p> | <p>Written documentation is now in place to clarify the level and type of services commissioned.</p> |

Appendix C - Fees

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling up Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

| Description | Proposed Fee 2020/21 | Planned Scale Fee 2020/21 | Final Fee 2019/20 |
|--|----------------------|---------------------------|-------------------|
| | £ | £ | £ |
| Audit Scale Fee - Code work | £81,325 | £81,325 | £81,325 |
| Scale fee variation determined by PSAA | - | N/A | £68,541 |
| Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1) | £61,857 | £73,319 | N/A |
| Revised Scale Fee | £143,182 | £154,644 | £149,866 |
| Scale Fee Variation -VFM arrangements (Note 2) | £10,068 | £10,000 | N/A |
| Scale Fee Variation - revised ISA 540 (Note 2) | £4,408 | £11,500 | N/A |
| Scale Fee Variation due to one-off issues impacting the 2020/21 audit (see Note 3) | £60,654 | N/A | N/A |
| Total Audit Fee | TBD | £176,144 | £149,866 |
| Non-Audit Fee - Housing Benefit Certification Work (Note 4) | £67,326 | £51,236 (est) | £47,000 |

Appendix C - Fees

Fees

Note 1

We have previously discussed with the management and the Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2020/21 the scale fee has been re-assessed to take these into account.

Note 2

In 2020/21, the new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a unitary authority. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

Note 3

For 2020/21 we have quantified the additional work we undertook in the completion of the audit. We will discuss this with management and seek approval from PSAA in due course.

| Issue | Fee |
|--|---------|
| Significant risk: Infrastructure assets | £7,145 |
| Significant risk: Engaging our internal asset valuation specialists with respect to our work over asset valuations | £8,592 |
| Significant risk: Technical accounting issues identified regarding Elmsfield and Landmark Square | £11,853 |
| Area of focus: Reduction in materiality and subsequent additional re-work required as a result of the Covid-19 grants accounting misstatement | £3,905 |
| Area of focus: Minimum revenue provision | £4,915 |
| Area of focus: Additional work required as a result of the triennial valuation being available prior to the end of the audit due to the delays in receiving the IAS 19 assurances from Deloitte | £2,571 |
| Area of focus: Engaging our internal pensions specialists with respect to our work over the valuation of the pension fund liability | £1,775 |
| Other: Work required regarding the whistle-blowing allegation | £4,993 |
| Other: Work in relation to the three prior year adjustments | £2,000 |
| Other: Work required to verify that the significant number of audit adjustments had been made accurately | £3,479 |
| Other: Data analytics mapping and additional work required due to the complexity of working papers supporting the financial statements | £1,362 |
| Other: Meetings - liaison meetings during the extended period and meetings with our professional practice division regarding the whistle-blowing allegation, the prior period adjustments and the ongoing delays in receiving the Deloitte IAS 19 report, including whether we could perform alternative procedures and whether we could accept the final IAS 19 letter provided | £8,064 |

Appendix C - Fees

Fees

Note 4

From 2018/19 onwards the Housing Benefit subsidy audit work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms. This work is now complete and the fee for 2020/21 was a base fee of £14,326 plus fees for extended testing of £53,000.

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Appendix D - Certificate

Certificate

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2021 issued on 21 July 2023 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Certificate

In our report dated 21 July 2021, we explained that we could not formally conclude the audit and issue an audit certificate until we had issued our Auditor's Annual Report, including our commentary on your value for money arrangements. This report has now been issued.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Helen Thompson
Ernst & Young LLP

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
15 September 2023

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ED None

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Wokingham Borough Council

Audit progress update

September 2023

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Wokingham Borough Council
Audit Committee
Civic Offices
Shute End
Wokingham
RG40 1BN

15 September 2023

Dear Audit Committee Members

Audit Progress Report

Pleased find below our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the current status of the Council's audit status for 2020/21, 2021/22 and 2022/23. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully,

Janet Dawson

For and on behalf of Ernst & Young LLP

Enc

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- 01 Progress Update - Financial Statements of the Council
- 02 Progress Update - Council Value for Money

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Wokingham Borough Council those matters we are required to state to them in this 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 Audit Committee, and management of Wokingham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Progress Update – Financial Statements of the Council



Status of the audit

2020/21 financial statements

We issued our Audit Report on 21 July 2023 and issued the Audit Certificate as at 15 September 2023 at the same time as the Auditor's Annual report.

2021/22 financial statements

Our audit planning report, issued in February 2023 identified the key areas of focus for our audit of the Council's 2021/22 financial statements. These have not changed as of the date of this progress report.

The year end audit started on 26 June 2023 and was initially scheduled to run to the end of September. We have been liaising with officers to ensure the smooth delivery of the audit, setting up regular touch points and discussing the required working papers. We have also discussed the possibility of having an onsite presence at your offices during the audit and have agreed for the time being that we will only be onsite if we think that it will be beneficial as the audit progresses.

There have been some delays in obtaining listings to generate our samples for testing and in obtaining sufficient audit evidence to support that testing, especially with respect to the asset valuations work. We understand that officers were focussed on finalising the audit of the 2020/21 financial statements and this was the priority until the end of July 2023. Officers were then able to focus on delivering the requested information in relation to 2021/22. We have been working with officers to closedown all outstanding queries and they have now been able to respond on all areas of the audit and the audit team have been working through the responses.

We have provisionally scheduled additional time to complete the audit in October and November, with a view to completing the audit by the end of December, with the possible exception of our work over the IAS 19 disclosures. As with previous years, there is a risk of a delay in receiving the IAS 19 assurances from the auditors of Berkshire Pension Fund. They have currently suggested that they may be able to respond to our audit request by the end of the year. We have requested that their programme of work includes testing of the membership to gain assurance over the triennial valuation of the pension fund as at 31 March 2022.

We are also liaising with officers regarding the accounting for the change in the group structure relating to the Optalis (Holdings) Limited group and the impact of this on the group financial statements.

2022/23 financial statements

We have continued to liaise with officers regarding the timeline for the 2022/23 audit. However, this is dependent on timely resolution of the 2021/22 audit, including receipt of a complete IAS 19 letter of assurance from Deloitte.

We issued our Group Instructions to Haslers LLP and Hazlewoods LLP in April 2023 as component auditors of WBC Holdings Limited and group and Optalis Limited, in advance of them completing their audit planning. We have held planning meetings with both of the component auditors and have arranged ongoing liaison to ensure we are kept up to date with the results of their audits.

We will update the Committee at the meeting on 27 September 2023 if there are any announcements by the Department for Levelling Up, Housing & Communities about the future timetable for delivery and proposed scope changes to local government audits.



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02

Progress Update - Value for Money





Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a requirement under the 2020 Code is for us to include the commentary on arrangements in the Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria is under way. Our assessment will focus on a combination of:

- Cumulative audit knowledge and experience.
- Review of Council committee reports,
- Review of other documentary evidence available on the Council's website.
- Consideration of financial and performance reporting and outcomes for the year.
- Regular engagement with Council management.

To date we have not identified a risk of significant weakness from our regular meetings with management or attendance at the Audit Committee.

Status of our 2022/23 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria has not yet started.

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| | |
|-----------------------------|--|
| TITLE | 2023/24 Internal Audit and Investigation Plan - Quarter 1 Progress Update (to 30 June 2023) |
| FOR CONSIDERATION BY | Audit Committee on 27 September 2023 |
| WARD | None specific |
| LEAD OFFICER | Catherine Hickman Head of Internal Audit & Investigation |

OUTCOME / BENEFITS TO THE COMMUNITY

Public assurance about the Council's risk, control and governance environment.

RECOMMENDATION

The Audit Committee (AC) is asked to review and scrutinise the 2023/24 Internal Audit and Investigation Quarter 1 Progress Report (activity to 30 June 2023).

SUMMARY OF REPORT

The AC approved the 2023/24 Internal Audit and Investigation Plan at its meeting on 30 March 2023. This report is provided for AC to review and scrutinise the progress of work to 30 June 2023.

This recommendation is being made to ensure that the Internal Audit and Investigation Service (IAIS) remains flexible and agile in planning its work to assist the Council in meeting its statutory requirements and the requirements of the AC's Terms of Reference and, ensure an ongoing focus on key areas that will feed into the Head of Internal Audit's Annual opinion on the council's internal control, risk management and governance framework.

The Council's 2023/24 Internal Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- allow the Council to demonstrate that it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance; and
- set out that the Team's resources are being properly utilised.

Quarterly reports are provided to AC to update on progress in achieving the Internal Audit and Investigation Plan. Appendices A, A(I) and A(II) to this report summarise the Quarter 1 Progress of activity to 30 June 2023.

The report: -

- Summarises the work of the Internal Audit and Investigation Service and status of the audits in the reporting period (Quarter 1)
- Key Corporate Risks covered;

- High Risk Concerns and Follow Up activity;
- Provides assurance that only one less than satisfactory level of assurance has been identified in the period in respect of the 2022/23 Right to Buy Scheme audit review that was carried forward from the previous financial year.
- Provides results of Anti-Fraud activity;
- Outlines compliance with Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit.

Further quarterly update reports on progress on delivering the revised Plan will be reported to the Committee in line with the Council's reporting cycle.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

| | How much will it Cost/ (Save) | Is there sufficient funding – if not quantify the Shortfall | Revenue or Capital? |
|-----------------------------------|-------------------------------|---|---------------------|
| Current Financial Year (Year 1) | N/A | Yes | N/A |
| Next Financial Year (Year 2) | N/A | Yes | N/A |
| Following Financial Year (Year 3) | N/A | Yes | N/A |

Other financial information relevant to the Recommendation/Decision

An effective internal audit and investigation's function mitigates financial and other risks associated with the Council achieving its objectives.

Cross-Council Implications

Internal Audit works across all areas of the Council – effective internal audit is one of the ways assurance is provided that the Council's key priorities and objectives will be achieved.

Public Sector Equality Duty

The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non-decision-making report providing an update on the work of audit and investigation.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

This report has a positive impact on the climate emergency agenda, as it provides public assurance about the Council's risk, control and governance environment and includes

specific reviews of key corporate risks that have been undertaken in respect of Net-Zero Carbon (Climate Emergency).

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

2023/24 Internal Audit & Investigation Plan

| | |
|--|---|
| Contact: Catherine Hickman, Head of Internal Audit & Investigation | Service: Governance Services |
| Telephone No: Catherine Hickman, 07885 983378 | Email: Catherine.hickman@wokingham.gov.uk |
| Date 8 September 2023 | Version No. v1 |

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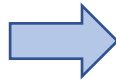
WOKINGHAM BOROUGH COUNCIL
Internal Audit & Investigation
2023/24 Quarter 1 Progress Report
(to 30 June 2023)

2023/24 Internal Audit and Investigation Plan

The purpose of this report is to present to the Audit Committee (AC) the progress in delivering the 2023/24 Internal Audit and Investigation Plan to the end of Quarter 1 of the financial year as part of our regular reporting and the key findings from our work. This is to ensure that the AC discharges its responsibilities in relation to governance, internal control and risk management.

The report includes areas of significant risk identified during our audit reviews and mitigating actions to address those risks. In addition, a summary of the Action Tracker to give Members of the Audit Committee assurances that concerns are being addressed and followed up regularly.

The internal audit programme of work aims to provide sufficient and appropriate coverage to enable the Head of Internal Audit and Investigation (fulfils the role of Chief Audit Executive) to provide an annual internal audit opinion on the Council's governance, internal control and risk management framework.



Summary

The Audit Committee (AC) approved the 2023/24 Internal Audit and Investigation Plan and Strategy at its meeting on 13 March 2023. The Plan continues to remain flexible as the Council responds to its changing risk profile. Any significant changes to the approved Plan will be reported to AC.

This report is provided as part of the quarterly reporting mechanism to AC and is to note the progress of the Team's work as at 30 June 2023.

Appendix A(I) lists the audits completed, at draft stage or work in progress in the period to 30 June 2023, as well as the Audit Opinion given for each review. Completed internal audit assignments are given an 'overall Internal Audit Opinion rating, with '1' being the highest category of audit assurance and '4' the lowest. Audit Opinion definitions are summarised at Appendix A(II).

For those audits falling into the lower two categories of audit opinion, a summary is provided within this report and copies of the respective Internal Audit reports are provided to the Chair of the AC.

Follow up work is undertaken on all audits attracting the lowest two categories of audit opinion and on those concerns categorised as being Very High or High risk. This report also summarises the activity in regard to fraud and irregularities.

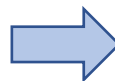
The work undertaken during the period contributes to informing the Head of Internal Audit's annual overall opinion on the Council's internal control, governance and risk framework, as required under the Public Sector Internal Audit Standards.

Internal Audit and Investigation Plan Status

Appendix A(I) shows the Internal Audit and Investigation Work Plan status as at 30 June 2023. This details audits finalised, at draft report stage or in progress. In addition, the overall category of Audit Opinion given for each audit. Where audits have received the lower two categories of Audit Opinion (refer Appendix A(II) for definitions), a summary is provided within the Progress Report and a full copy of the respective reports is provided to the Chair of the Audit Committee.

As part of the annual Internal Audit and Investigation Plan, we aim to cover a number of Key Corporate Risks to the Council each year. The table opposite details all of the Councils Key Corporate Risks (as at June 2023 – last review) and highlights progress on those being audited during this financial year. The aim is that there is a link of the Internal Audit work directly into the Corporate Risk Register (CRR). This will build over time. There is also flexibility in the Internal Audit Plan to reflect new risks coming into the CRR and those being reduced in risk status or removed from the CRR.

The results of follow up activity are also included within this report and also any audits where there are outstanding responses from management to draft reports. We are currently on track to deliver the 2023/24 Internal Audit and Investigation Plan.



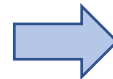
| Ref | Risks as at 30 th June 2023 | Audit in 2023/24 |
|-----|--|---------------------------------|
| 1 | Budget & Financial Resilience - Specific Internal Audit coverage 2023/24:- - Financial Resilience/Compliance with CIPFA Financial Management Code Follow Up - Capital Monitoring - Debtors - Creditors - Procurement Cards - Reconciliation - Treasury Management | √ √ √ √ √ √ √ |
| 2 | Corporate Governance | √ |
| 3 | Workforce - Specific Internal Audit coverage 2023/24:- - Safer Recruitment - Recruitment and Retention Processes and References - Service Level Agreements | √ √ √ |
| 4 | Uncontrolled Development (Local Plan Update) | |
| 5 | Outcomes and Costs for Children with Send | |
| 6 | Health and Safety | |
| 7 | ASC Supplier Sustainability and Sufficiency | |
| 8 | Cyber Security | √ |
| 9 | Deliver the Council's Climate Emergency Action Plan | √ |
| 10 | Major Emergency Response (e.g. Pandemic). Specific Internal Audit Coverage 2023/24 - Civil Contingency Act Emergency Planning Preparedness & Crisis Management & Central Government Return | √ |
| 12 | Health & Social Care Reform | |
| 13 | Adult Safeguarding | |
| 14 | Children's Safeguarding | |
| 15 | Inward Migration. Specific Internal Audit coverage 2023/24:- - Unaccompanied Asylum Seeking Children | √ |
| 17 | Education Provision Mainstream. Specific Internal Audit Coverage 2023/24:-School Place Planning | √ |
| 19 | Information Governance | √ |
| 20 | Website Replacement | |
| 21 | Local Housing Needs | |

Risk references above, as per Corporate Risk Register, approved by AC June 2023

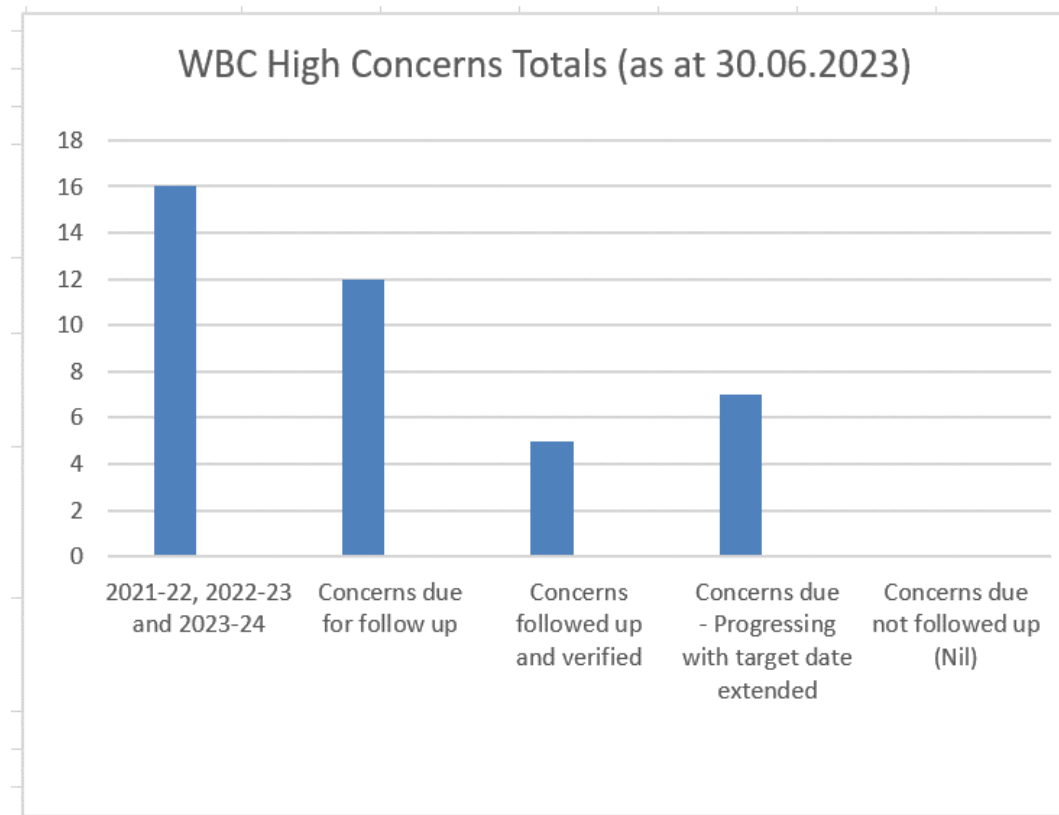
Follow Up Activity

An Action Tracker is maintained to record all High and Medium concerns identified during our audit reviews. Low risk concerns are reported to management verbally at the exit meeting. The Action Tracker is shared with the Chair of the Audit Committee.

The graph opposite and table below show total concerns and follow up activity for High-Risk concerns. At the time of reporting, all high-risk concerns due to be followed up have been confirmed and verified as being actioned by their due date with evidence to support this.



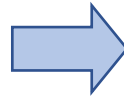
High Risk Concerns Follow Up



| | Highs |
|--|--------|
| 2021-22 | 6 |
| 2022-2023 | 10 |
| 2023-24 | 0 = 16 |
| High Concerns due for follow up (2021-22, 2022-23 and 2023-24) | 12 |
| High Concerns followed up and verified | 5 |
| High Concerns due – Progressing with target date extended | 7 |
| Concerns due not verified | 0 |

Follow Up Activity

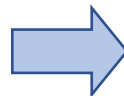
The table opposite shows the total number of High concerns in 2023-24, 2022-23 and 2021-22 and their status of Open or Closed.



| Open / Closed Concerns | | |
|------------------------|---|-------|
| Concern | Status | Total |
| High | Open / Not Yet Due | 4 |
| | Closed | 5 |
| | Due - Progressing with target date extended | 7 |
| Total | | 16 |

63

The table opposite shows the total number of High actions, the number of new audit actions raised since the last AC, and the number of High-risk concerns that were Open and Overdue compared to the Previous Quarter. There were no Overdue High-risk concerns.



| | Audit Committee 07/06/23 (2022/23 Q4) | New audit Concerns (in 2023-24 Q1) | Audit Concerns closed (in 2023-24 Q1) | Audit Concerns due and target date extended | Audit Committee 27/09/23 (2023-24 Q1) |
|--------------------------|---------------------------------------|------------------------------------|---------------------------------------|---|---------------------------------------|
| Total High Concerns | 15 | 1 | | | 16 |
| Total open High Concerns | 10 | 1 | 0 | 1 | 11 |
| Overdue | 0 | | | | 0 |
| Open | 4 | | | | 4 |
| Concerns not yet due | | | | | |

High Risk Concerns and Agreed Management Countermeasures

| Audit | Audit High Risk concerns | Agreed Management Countermeasure | Actions due and status verified | Proposed Implementation date |
|---------------------------------------|--------------------------|--|--|--|
| 2022/23 | | | | |
| Debtors | 5 | Training issue to be highlighted to all Services. AR to create new policies and procedures / training workshops with Service users. | Progressing / target date extended | 31/03/2023 to 30/09/2023 |
| | | a) Revenues and Recovery Manager to review the Debtors SLA, processes, and procedures and will engage with service users. b) Robust performance measures were put in place and from 31 st July 2022, the invoices raised data will be shown on the reports. | a) Progressing / target date extended b) Complete | 31/03/2023 to 30/09/2023 31/07/2022 |
| | | Senior Management intervention and debtors restructure will assist improvements. AR team now allocated certain 'patches' and will work with their service counterparts. | Complete | 30/09/2022 |
| | | The Council needs to consider further innovation in its methods for receiving income. | Progressing / target date extended | 31/03/2023 to 30/09/2023 |
| | | A reconciliation in 2018 matched payments and is still updated. AR are guided by Building Control re: write-offs, etc. Will continue to seek resolution with the Service. | Ongoing | Ongoing |
| Contract Management Compliance | 4 | a) Review approach and resources offered through Procurement & Contracts Team to support development / implementation of the contracts management framework. b) Highways representative to attend the Corporate Contract Management Framework meetings if and when they are set up. | a) Progressing / target date extended b) Complete | 30/04/2023 to 30/11/2023 30/04/2023 |
| | | a) Improved contract governance through dashboard and business partnering in Procurement. Improved governance through the Strategic Procurement Board. b) Highways is currently looking at the services we deliver and contracts in place. Procurement will assist in understanding the length / expiry of each <u>contract</u> , when we need to start market engagement and the procurement process for each. | a) Not yet due b) Not yet due | 01/04/2024 31/07/2023 |

| | | | | |
|---------------------|---|---|---|--------------------------------------|
| | | Highways is looking to recruit two permanent full-time Asset Specialists and an Asset Technical Assistant, which will assist in audit inspections / on-site inspections. It is also looking to recruit a QS to review all previous applications and identify any errors. As a measurable contract it can be re-visited at <u>anytime</u> during the contract. | Not yet due | 30/09/2023 |
| | | a) Engagement with Procurement (by Highways) is currently underway in preparation for procurement opportunities for the end of these four contracts. b) The Waste Manager role has been advertised and we hope to fill the position in early 2023. c) To review the contract management arrangements in the central Procurement Team. | a) Ongoing b) Complete c) Not yet due | On-going 31/05/2023 01/08/2023 |
| Right to Buy | 1 | We will create an internal policy to ensure the Government Legislation continues to be adhered to together with additional measures formalised within the policy. There will be a Policy Statement published to Tenants to set out expectations from us and them through the process. Internal Audit advice and support will be sought in this. | Not yet due | 31.03.24 |

| 2021/22 c/f to 2022-23 | | | | |
|-------------------------------------|---|---|--|--------------------------------------|
| Adult Safeguarding | 1 | Design and implement a local Quality Assurance Framework and devise a tool to ensure that quality learning takes place. Appoint to new grade 11 role. | Complete | 30/06/2022 |
| Recruitment and Safeguarding | 2 | a) Children's and Adults - Remind managers and verify that safer recruitment training is completed b) HR - Monthly reports to the HR Business Partners on completion of the mandatory training. Resourcing Team (from January 2023) to ensure that training is undertaken. | a) Complete b) Progressing / target date extended | 01/12/2022 31/03/23 to 31/03/2024 |
| | | a) Children's and Adults - Managers to forward all successful candidates recruitment documentation to HR Enquiries mailbox and retain unsuccessful recruitment documentation. b) HR - Review of all HR operational processes ongoing. Checklist for new starters will require team leader sign-off. Explore IT tracking methods and back-up options. | a) Complete b) Complete | 14/11/2022 31/03/2023 |
| Reconciliations | 3 | Finance will add an annual schedule of key reconciliation checks to the close down programme. This will be passed to Internal Audit to inform audit planning and enable spot checks of key reconciliations related to a Service Area being audited. | Progressing / target date extended | 31/03/2023 to 30/09/2023 |
| | | a) A project delivery plan is being drafted for Technology Forge and scoping the resource (people and finance) required to enable TF to become the hub for property data. | a) Progressing / target date extended | 31/03/2023 to 30/09/2023 |

APPENDIX A, A(I), A(II)

| | | | | |
|--|--|---|---------------------------------------|------------------------------|
| | | b) An outline governance framework for the new (property recording) process and this will be enhanced once the work on Technology Forge is underway. | b) Progressing / target date extended | 31/03/2023 to 30/09/2023 |
| | | c) Property Team will investigate to ensure that any income due for the Fixed Asset Register properties is billed and that our liabilities as landlord are being fulfilled. The Property Team are working with Finance on short-term enhancements and manual processes to reduce risks until the <u>longer term</u> solution can be implemented. | c) Progressing / target date extended | 31/03/2023 to 30/09/2023 |
| | | a) Process mapping is underway to understand processes for investment property and estates property and whether they should be separate or a single process. An action plan will be put in place to harmonise the 2 processes where possible. b) An assessment will be made of the benefit of using managing agents and external legal provision and if viable, management of investment property will be brought in-house (with a view to when current contracts expire). | Complete | 31/03/2023 31/03/2023 |

| |
|--|
| Implementation verified as complete |
| Concern progressing / Target date extended |
| Target date not yet due |

Category 3 / 4 Audit Opinions

For reporting to Audit Committee, we provide a summary of audits falling into the lowest two categories of Audit Opinion. Directors help inform the Audit Plan and, as part of that, ask Internal Audit to focus on areas that require more intense scrutiny to help them make improvement. Where audits do fall into the lower two categories of Audit Opinion this may be a reflection of the Audit Plan being targeted at the highest risk areas.

Full copies of audits falling into the Category 3 or 4 Audit Opinion are provided to the Chair of the Audit Committee.

In the first quarter, one audit has been finalised (2022/23 Right to Buy Scheme), that has attracted the third category of audit opinion and this has been shared with the Chair of the AC.

Category 3 Audit: 2022/23 Right to Buy Scheme

This audit focused on the Right to Buy Legislation and Good Practice guidance that is recommended to be in place for local authorities to comply with. There were 23 concerns identified, 1 of which is a high risk concern and 22 are medium risk concerns. The high risk concern which resulted in this category of Audit Opinion being given related to Policy as governance is weakened and legislation may not be followed if there is no Right to Buy Policy in place.

Management has agreed to create a policy for internal use to ensure the Government Legislation continues to be adhered to, plus there are additional measures formalised within the policy to protect WBC and its assets.

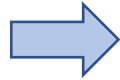
There will also be a Policy Statement published to Tenants to show what they should expect from the council and what we expect from them, all the way through the process – following the policy above and Government Legislation. Management has requested advice and support from Internal Audit on how to bring in changes to the current process to enhance it using their specific skills.

Medium concerns mainly relate to non-compliance with Right to Buy Legislation or central government guidance including good practice. This has contributed to the overall audit opinion awarded. However, there were also a few concerns that related to governance, including Tenants Charter, Risk Management, Written Procedure Notes and Controls Fly Sheet, Application Approval Process and Performance Management.

Fraud and Irregularities

The Internal Audit and Investigation Plan includes provision for undertaking reactive and proactive investigations.

There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year. The work undertaken by the team has included re-active investigations as well as developing pro-active anti-fraud drives. A summary of the key areas activity since we last reported is provided here.



Anti-Fraud Activities

National Fraud Initiative Data Matching Exercise – The National Fraud Initiative (NFI) data matching exercise conducted by the Cabinet Office to assist in the prevention and detection of fraud has been completed and the results are as reported to this Audit Committee on 30 March 2023.

Whistleblowing – There have been 4 Whistleblowing cases received by the service up to the date of this report, of which 3 have been resolved and 1 is outstanding. Progress on the outstanding whistleblowing case is being monitored by the Internal Audit and Investigation Service.

Police DPA requests - These requests are received on an ad-hoc basis and require immediate response to ensure that we are working efficiently with the Police for the prevention and detection of crime, the prosecution and/or apprehension of offenders and/or protecting the vital interests of a person. From 2023-24 quarter 2, this work has been transferred over to the Information Governance and Data Protection Team to centrally co-ordinate.

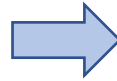
Freedom of Information / Data Protection Act Requests - We aim to ensure that these requests are responded to within the legal timescale requirements. Freedom of Information requests relating to internal audit and investigation work include fraud and whistleblowing.

Empty Property Review (EPR) – An empty property review commenced in quarter 2, due to be finished by the end of quarter and the results will be reported to this Committee in due course.

Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards (PSIAS), as revised in April 2017, define the service and professional standards for public sector internal audit services.

Compliance is monitored on a regular basis, as part of the review process for individual audits and as part of annual self-assessment reviews of the internal audit service. An external review of the service is required to be undertaken every five years in accordance with the PSIAS.



Compliance with Public Sector Internal Audit Standards

The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services.

Key, specific PSIAS provisions include:

PSIAS: 2010 - *“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”*

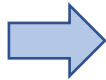
PSIAS: 2450 – *“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

The Internal Audit Service is designed to conform to the PSIAS. Under the PSIAS there is a requirement for internal audit services to have an external quality assessment every five years. The last external review was undertaken in 2018, with an ongoing self-assessment exercise being undertaken annually.

An external review of the Service against the PSIAS was undertaken by CIPFA in July 2023 and we are pleased to report that the highest category of conformity has been given, ‘Fully Conforms’, from the range of CIPFA definitions of ‘Fully Conforms (Highest), Partially Conforms, Does Not Conform (Lowest)’. As such, WBC Internal Audit and Investigation Service has the highest level of conformance according to the definitions and action priorities are at the lowest they can be. A separate report on the External Assessment review has been prepared for this Audit Committee.

CIPFA Statement on the Role of Head of Internal Audit

The head of internal audit occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. CIPFA has publicised a Statement on the Role of the Head of Internal Audit in public service organisations to help ensure that organisations engage with and support the role effectively.



Compliance with CIPFA Statement on the Role of Head of Internal Audit

In addition to the work undertaken to inform the CIPFA External Assessment against the PSIAS, a self-assessment against the CIPFA Statement on the Role of the Head of Internal Audit was undertaken by Internal Audit, that was verified by CIPFA and this is referred to in the CIPFA External Assessment report.

This assessment identified minor action points that have been incorporated into the PSIAS Action Plan.

Updates on the implementation of the advisory points from the PSIAS External Assessment and the self-assessment against the Role of the Head of Internal Audit will be reported periodically to the Audit Committee.

Appendix A(I)

2023/24 Internal Audit and Investigation Annual Report (1 April 2023 to 30 June 2023)

Key Corporate Risks

| Audit title | Directorate | Status | Final audit report opinion |
|--|---------------------|--------|----------------------------|
| Budget & Financial Resilience (Key Corporate Risk 1) comprising:- | | | |
| - Compliance with CIPFA Financial Management Code (Follow Up) (Key Corporate Risk 1) | Resources & Assets | | |
| - Capital Monitoring | Resources & Assets | WIP | |
| - Debtors Key Financial System | Resources & Assets | | |
| - Creditors Key Financial System | Resources & Assets | WIP | |
| - Reconciliation Follow Up | Resources & Assets | | |
| - Treasury Management Key Financial System | Resources & Assets | | |
| Corporate Governance (Key Corporate Risk 2) | Resources & Assets | WIP | |
| Human Resources (Key Corporate Risk 3) comprising:- | Cross Cutting | | |
| - Safer Recruitment – revisit the 2021/22 Internal Audit Report | Chief Executive's | | |
| - Recruitment and Retention Process and References – review of new procedures. | Chief Executive's | | |
| - Service Level Agreements – review of processes and compliance | Chief Executive's | | |
| Self-Assessment of Council's Arrangements Information Governance and Cyber Security Arrangements (Follow Up) (Key Corporate Risk 8) | Chief Executive's | | |
| Civil Contingency Act Emergency Planning Preparedness & Crisis Management & Central Government Return Information (Key Corporate Risk 10) | Chief Executive's | | |
| Unaccompanied Asylum-Seeking Children (Key Corporate Risk 15) | Children's Services | WIP | |
| School Place Planning (Key Corporate Risk 17) | Children's Services | WIP | |
| Information Governance (Key Corporate Risk 19) | Resources & Assets | WIP | |

Key Operational Risks

| Audit title | Directorate | Status | Final audit report opinion |
|--|---------------------|---------------|-----------------------------------|
| Procurement & Commissioning | | | |
| Enforcement & Safety Service (Part II) | Place & Growth | | |
| Community & Infrastructure Levy | Place & Growth | | |
| Public Health | Adult Services | | |
| S106 Agreements (Follow Up) | Place & Growth | | |
| Use of Temporary Accommodation and Bed and Breakfast | Children's Services | | |

Governance Building Blocks

| Audit title | Directorate | Status | Final audit report opinion |
|---|----------------------|---------------|-----------------------------------|
| Risk Management | Cross Cutting | Draft | |
| Governance of WBC Companies | Resources and Assets | WIP | |
| Annual Governance Statement (AGS) 2023/24 | Cross-Cutting | | |

Servicing the Business

| Audit title | Directorate | Status | Final audit report opinion |
|--|--------------------|---------------------------------------|-----------------------------------|
| Effectiveness of System of Internal Audit / Public Sector Internal Audit Standards External Assessment Preparation | Cross Cutting | Ongoing – External Review in progress | n/a |
| Follow Up Countermeasures / Testing | Cross Cutting | Ongoing | |

Appendix A(I) Contd./...

Grant Certifications

| Audit title | Directorate | Status | Final audit report opinion |
|---------------------------------|---------------------|---------------|-----------------------------------|
| Supporting Families (Quarter 1) | Children's Services | Certified | n/a |

Contingency/Consultancy/Management Requests

| Audit title | Directorate | Status | Final audit report opinion |
|--|--------------------|---------------|-----------------------------------|
| Licensing – GDPR Breach (Management Request) | Place & Growth | WIP | |

Fraud and Investigation

| Audit title | Directorate | Status | Final audit report opinion |
|---|--------------------|---------------|-----------------------------------|
| Empty Property Relief | Resources & Assets | | |
| Whistleblowing | | | |
| Housing enquiry (Tenancy Agreement) | Place & Growth | Complete | n/a |
| Police Disclosure of Personal Data Requests | Resources & Assets | Ongoing | n/a |

2022/23 Audits Completed in 2023/24

| Audit title | Directorate | Status | Final audit report opinion |
|--|--------------------|---------------|-----------------------------------|
| Budget & Financial resilience (Key Corporate Risk 1) - Financial Monitoring | Resources & Assets | Final | 2 |
| Right to Buy | Place & Growth | Final | 3 |
| Risk Management | Cross Cutting | Draft | |

Appendix A(I) Contd./

Audit Opinions

1 - Complete and Effective

2 - Substantially Complete and Generally Effective

3 - Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated

4 - There is no effective Risk Management process in place

Legend

C – Certification

E – Exempt

WIP – Work in Progress

Draft – Draft Report stage

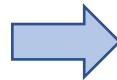
Final – Final Report issued

Appendix A(II)

Audit Opinion Definitions

The Audit Opinion stated in the audit report provides management with a brief objective assessment of the status of current Treatment Measures which have been put in place to reduce identified risks to the operation or strategy under review. It is not a statement of fact.

In reaching the Audit Opinion for this audit, the majority of the criteria for the relevant definition apply.



Complete and Effective

- ♦ All necessary Treatment Measures are in place and are operating effectively.
- ♦ Residual risks have been reduced to an acceptable level
- ♦ There are no unacceptable financial implications.
- ♦ Concerns reported are minor.

(Risk management processes are strong, and controls are adequate and effective).

Substantially Complete and Generally Effective

- ♦ Most key Treatment Measures are in place, and these operate effectively.
- ♦ The majority of residual risks have been reduced to an acceptable level.
- ♦ There are minor unacceptable financial implications.
- ♦ The majority of concerns are of a predominately moderate impact/likelihood.

(Risk management processes are good, and controls are adequate although only partially effective).

Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated

- ♦ Not all key Treatment Measures are in place and / or do not operate effectively
- ♦ Residual risks have not all been reduced to an acceptable level
- ♦ There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.
- ♦ There are a number of concerns that are predominantly of a major impact/likelihood.

(Risk management processes and controls are adequate but not effective in mitigating the identified risks).

There is no effective Risk Management process in place

- ♦ There are no appropriate Treatment Measures in place.
- ♦ Residual risks remain at an unacceptable level
- ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood.

(Risk management processes and controls are weak).

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|-----------------------------|---|
| TITLE | 2023/24 External Quality Assessment of Conformance to the Public Sector Internal Audit Standards |
| FOR CONSIDERATION BY | Audit Committee on 27 September 2023 |
| WARD | None specific |
| LEAD OFFICER | Catherine Hickman Head of Internal Audit & Investigation |

OUTCOME / BENEFITS TO THE COMMUNITY

Public assurance about the Council's risk, control and governance environment.

RECOMMENDATION

The Committee is asked to note the outcome of the External Quality Assessment for Wokingham Borough Council's Internal Audit Service and the assessment of the Council's compliance with audit standards and the quality of the Internal Audit Service

SUMMARY OF REPORT

- 1.1 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017).
- 1.2 The Professional Standards require an external quality assessment (EQA) at least once every 5 years as part of Internal Audit's Quality Assurance Framework. This is the second EQA of conformance to the (PSIAS) that the Internal Audit Service has undergone, since 2017.
- 1.3 This report provides the Audit Committee with information on the result of the latest external quality assessment undertaken in July 2023.
- 1.4 The assessment report shows that the Council's Internal Audit function to have achieved the highest level of conformance 'Fully Conforms' to the requirements of the PSIAS and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government advisory note (LGAN). From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards were identified, nor were any significant areas of partial non-compliance identified. There were no recommendations for improvement in the report, only five minor advisory suggestions made for consideration that are being actioned. These have been set out in the body of the report attached.

Background

The Council's Internal Audit function is delivered by an in-house team and provides internal audit and investigation services to Wokingham Borough Council. In addition, work is provided to external clients.

The Internal Audit team comprises experienced and qualified staff (in addition to the Head of Internal Audit and Investigation).

The Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (updated April 2016 and 2017) consist of the following elements:-

- Mission Statement and Definition of Internal Audit
- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics, and Attribute and Performance Standards for the Professional Practice of Internal Auditing

They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors.

They reaffirm the importance of robust, independent and objective internal audit assurance.

In local government, the PSIAS are mandatory, as required by the Accounts and Audit Regulations. The Internal Audit function must also comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Advisory Note (LGAN) associated with the Standards.

The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation and our assessment was undertaken by CIPFA.

The review was carried out week commencing the 10th July 2023 through a process of interviews with the Chair of the Audit Committee, Senior Management, including Statutory Officers, in addition to a survey sent to all management audited during the last two financial years.

The External Assessor concluded that the Head of Internal Audit and Investigation is an experienced internal audit professional who is a CCAB accountant (CIPFA) and a Chartered Internal Auditor. All of the Senior Auditors are experienced internal audit professionals and three hold relevant professional and academic qualifications.

In addition, he concluded that the clear indication from this EQA is that the Internal Audit and Investigation Service is managed effectively and conforms to PSIAS standards and the LGAN

The Team members were noted to perform their duties with due professional care.

The Internal Audit and Investigation Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard.

The results of the interviews with the key stakeholders were positive with the interviewees valuing the professionalism, knowledge and quality of the service and objective way the Internal Audit and Investigation Service is delivered. A similar picture emerged from the survey where the respondents valued the service provided by Internal Audit and Investigation. There were no ‘do not agree’ responses to any of the statements in the survey. The detailed findings from the survey have been shared with the Head of Internal Audit and Investigation and a summary of the survey results is included in the attached report.

The Assessor concluded that no areas of non-compliance with the standards had been identified, nor had any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity.

This assessment helps provide confidence to the Council over the quality of the service and those within the team providing the service. In addition, it demonstrates how the service contributes to the governance and internal control framework of the Council.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

| | How much will it Cost/ (Save) | Is there sufficient funding – if not quantify the Shortfall | Revenue or Capital? |
|-----------------------------------|-------------------------------|---|---------------------|
| Current Financial Year (Year 1) | N/A | Yes | N/A |
| Next Financial Year (Year 2) | N/A | Yes | N/A |
| Following Financial Year (Year 3) | N/A | Yes | N/A |

| |
|--|
| Other financial information relevant to the Recommendation/Decision |
| An effective internal audit and investigation function mitigates financial and other risks associated with the Council achieving its objectives. |

| |
|---|
| Cross-Council Implications |
| Internal Audit works across all areas of the Council – effective internal audit is one of the ways assurance is provided that the Council’s key priorities and objectives will be achieved. |

| |
|---|
| Public Sector Equality Duty |
| The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non-decision-making report providing an update on the work of audit and investigation. |

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

This report has a positive impact on the climate emergency agenda, as it provides public assurance about the Council’s risk, control and governance environment including in respect of Net-Zero Carbon (Climate Emergency).

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-auditstandards>

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

| | |
|--|---|
| Contact: Catherine Hickman, Head of Internal Audit and Investigation | Service: Governance Services |
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| Date 8 September 2023 | Version No. v1 |

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Wokingham Borough Council's Internal Audit and Investigations Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

6 September 2023

Wokingham Borough Council's Internal Audit and Investigations Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Internal Audit and Investigations Service provides internal audit and consultancy services to Wokingham Borough Council, and for the period covered by the self-assessment, some of the planned audits for Bracknell Forest Council, Rushmoor Borough Council and Hart District Council under Section 113 agreements. The Chief Audit Executive is the council's Head of Internal Audit and Investigations. She is supported by a team of 4.6 FTE senior auditor posts, 1 FTE audit apprentice post and 1 FTE corporate investigator post. At the time of the EQA, one senior audit post, the audit apprentice post and the corporate investigator post were all vacant, although the service has started a recruitment exercise for the audit apprentice and corporate investigator posts. The Head of Internal Audit and Investigations is delaying advertising the vacant senior auditor post until the other recruitment exercises have closed. This is to provide her with the funding option of employing more than one audit apprentice should the opportunity arise.
- 2.2 The Head of Internal Audit and Investigations is an experienced internal audit professional who is a CCAB accountant (CIPFA) and a Chartered Internal Auditor. All of the Senior Auditors are experienced internal audit professionals and three hold relevant professional and academic qualifications.
- 2.3 From an operational perspective, the Internal Audit and Investigations Service is part of Wokingham Borough Council's Resources and Assets Directorate, with the Head of Internal Audit and Investigations reporting to the Assistant Director - Governance who is the council's Monitoring Officer. The Head of Internal Audit and Investigations regularly meets with the Chair of the Audit Committee (monthly), the Chief Executive, and the Monitoring Officer. All work provided under the section 113 agreements for the other three authorities takes the form of delivering part of their respective audit plans with all outputs being reported directly to the relevant Head of Internal Audit at those authorities.
- 2.4 The Internal Audit and Investigations Service has been operating under PSIAS since its launch in 2022, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018 when they were part of a shared service with the Royal borough of Windsor and Maidenhead. This EQA was also undertaken by CIPFA.
- 2.5 Internal Audit and Investigations have an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. The service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, with completed documents retained in the service's dedicated network drive. Supervision of the engagements takes place at every stage of the process and is recorded on the appropriate documentation.
- 2.6 There is a quality assurance process in place that includes internal and external quality assessments of the service, reviews of live engagements, and final clearance of all completed reports by the Head of Internal Audit and Investigations, all of which feed into

the Internal Audit and Investigations Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the service's self-assessment comprised a combination of a review of the evidence provided by internal audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of internal audit and assessed the service against the four broad themes of purpose and positioning; structure and resources; audit execution; and impact.
- 3.2 The Internal Audit and Investigations Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - the audit charter;
 - the annual report and opinions
 - the audit plan and strategy;
 - audit procedures manual;
 - a range of documents and records relating to the team members;
 - progress and other reports to the Audit Committee.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing 10 July 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a wide sample of key stakeholders. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit and Investigations Service delivered their services.
- 3.4 A survey was sent to a range of key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Head of Internal Audit and Investigations and a summary table has been included in this report.
- 3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Wokingham Borough Council's Internal Audit and Investigations Service is accurate, and we therefore conclude that they FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

4.1 The table below shows the Internal Audit and Investigations Service's level of conformance to the individual standards assessed during this external quality assessment:

| Standard / Area Assessed | Level of Conformance |
|--|-----------------------|
| Mission Statement | Fully Conforms |
| Core principles | Fully Conforms |
| Code of ethics | Fully Conforms |
| Attribute standard 1000 – Purpose, Authority and Responsibility | Fully Conforms |
| Attribute standard 1100 – Independence and Objectivity | Fully Conforms |
| Attribute standard 1200 – Proficiency and Due Professional Care | Fully Conforms |
| Attribute standard 1300 – Quality Assurance and Improvement Programmes | Fully Conforms |
| Performance standard 2000 – Managing the Internal Audit Activity | Fully Conforms |
| Performance standard 2100 – Nature of Work | Fully Conforms |
| Performance standard 2200 – Engagement Planning | Fully Conforms |
| Performance standard 2300 – Performing the Engagement | Fully Conforms |
| Performance standard 2400 – Communicating Results | Fully Conforms |
| Performance standard 2500 – Monitoring Progress | Fully Conforms |
| Performance standard 2600 – Communicating the Acceptance of Risk | Fully Conforms |

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The core principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the attribute and performance standards of the PSIAS.

The clear indication from this EQA is that the core principles are embedded in Internal Audit's procedures and working methodologies and they are a very competent, experienced, and professional service that conforms to all ten elements of the core principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' code of ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The code of ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The code of ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit and Investigations Service conforms to the code of ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the service operates.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the core principles for the Professional Practice of Internal Auditing, the code of ethics, the standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There is an audit charter in place, and this is reviewed on an annual basis. We reviewed this document and found it to be comprehensive and well written and contains all the elements that the PSIAS expects to be included in an audit charter. We are satisfied that the Internal Audit and Investigations Service conforms to attribute standard 1000 and the LGAN.

5.5 Attribute Standard 1100 – Independence and Objectivity

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit and Investigations Service's culture. The Head of Internal Audit and Investigations reports in her own name directly to the Senior Management Team and to the Audit Committee at Wokingham Borough Council. She has regular meetings with the Chair of the Audit Committee, the Chief Executive, and the Assistant Director – Governance (the

Monitoring Officer). All employees declare any potential impairment to their independence or objectivity on an annual basis.

We have reviewed the Internal Audit and Investigations Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audits. We have also reviewed their reporting lines and their positioning within the organisation. The Head of Internal Audit and Investigations does not have responsibilities for any functions other than Internal Audit and Investigations.

We are satisfied that the Internal Audit and Investigations Service conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires the internal audit services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Internal Audit and Investigations Service has a professional, experienced, and suitably qualified workforce. The Head of Internal Audit and Investigations is an experienced internal audit professional who is a CCAB accountant (CIPFA) and a Chartered Internal Auditor. All the Senior Auditors are experienced internal audit professionals and three hold relevant professional and academic qualifications.

The Standards require Internal Audit and Investigations Services to consider the use of data analytics when performing their audit reviews. The service makes extensive use of the functionality in MS Excel and the core software applications in use within the council. They have also started to make use of the functionality in the Power BI application. Specialist data analytics software, such as IDEA and ACL, have been considered but the cost of these applications has been deemed to be too high for the additional benefits they offer over and above MS Excel. One of the Senior Auditors is proficient in using Excel for data analytics although all the Team members are able to use Excel and the reporting functionality within the council's core systems.

Notwithstanding the above, there is an opportunity to further broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits, as benchmarking can highlight areas where there may be scope to add value to the council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in section 9 of this report.

It is evident from this review that the council has an experienced Internal Audit and Investigations Service that the Team members perform their duties with due professional care. We are therefore satisfied that the Internal Audit and Investigations Service complies with attribute standard 1200 and the LGAN.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

The Internal Audit and Investigations Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages and recorded throughout the audit process. The service uses post audit client satisfaction surveys for the audits they

undertake but do not currently carry out an annual client survey, which they have already identified as a future enhancement to their processes and included this on their QAIP action plan. In addition to the quinquennial EQA, the service carries out annual self-assessments of their conformance to the standards, and the LGAN, and also to the five principles from the CIPFA guidance the 'Role of the Head of Internal Audit'. All these feed into the service's quality assurance and improvement plan (QAIP). At the time of the EQA, updates on completing the actions in the QAIP were not being made to the Audit Committee. The service has already identified this as an issue and included it on their QAIP action plan. The audit reports do not currently state that the audit has been carried out in accordance with the requirements of the PSIAS. Again, they have identified this as an issue and included an action on the QAIP action plan. As the Head of Internal Audit and Investigations is already aware of these matters, we have not included them in section 9 of this report.

We have examined the supporting evidence provided by the Internal Audit and Investigations Service during this EQA and, we are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committee for their review and approval. The Chief Audit Executive must ensure that internal audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the internal audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the audit committees on internal audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the code of ethics and the standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Internal Audit and Investigations Service has a comprehensive audit manual in place that covers all aspects of their operations. They have developed comprehensive planning processes that take into consideration the council's risks and objectives; the risk management and governance frameworks; the council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The service produces a comprehensive combined risk-based audit plan and strategy that is aligned to the council's objectives and is designed to provide the council with relevant assurance on their governance, risk management and control frameworks. The audit plan is reviewed and approved by the Senior Management Team and the Audit Committee.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plan and the performance of the Internal Audit and Investigations Service, are reported regularly to senior management and the audit committee. An annual report and opinion are also issued at the end of the year and presented to senior management and the audit committee.

The clear indication from this EQA is that the Internal Audit and Investigations Service is managed effectively and conforms to standard 2000 and the LGAN.

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit and Investigations Service and is embedded in their working methodologies. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit and Investigations' own methodologies. We found that all the sample audit files examined during the EQA complied with all three.

The clear indication from this EQA is that the Internal Audit and Investigations Service conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

The service has an audit manual and robust supervision processes in place that include engagement planning that meets the requirements of the PSIAS. From the sample of audits that we examined during the EQA, we found that they all conformed to standard 2200, the LGAN, and the service's own audit procedures, and we therefore conclude that Internal Audit and Investigations conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As we have mentioned above, the Internal Audit and Investigations Service has an audit manual, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the service's self-assessment, together with a sample of audit files to see if they conformed to the standards, and the Internal Audit and Investigation Service's own working methodologies. We found that all the evidence we examined conformed to the standards and the service's own procedures and methodologies. The service has identified that they do not currently have their own document retention policy in place, relying instead on the main policy for the council.

We therefore conclude that Internal Audit and Investigations conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the

strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The service’s procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the service’s self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and Internal Audit and Investigations’ own procedures and methodologies.

We also reviewed the progress and annual reports presented to the Audit Committee and found that these also conformed to the standards and the service’s own internal procedures.

We have however identified three good practice enhancements that could be made to the annual report. The first relates to the inclusion of a statement to confirm that there have not been any impairments to the independence and objectivity of the Head of Internal Audit and Investigations, or Internal Audit and Investigations as a whole during the year that has just ended.

The second relates to the inclusion of a section in the report setting out where Internal Audit and Investigations has added value to the council during the year just ended.

The third relates to the inclusion of a disclaimer and limitations of use statement in each report. An example of such a statement would be “This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the council’s External Auditor and its Audit Committee to meet legal and professional obligations. It would therefore not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit and Investigations. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it”.

We have included three advisory actions in section 9 of the report relating to these observations. Notwithstanding the above, we have concluded that the Internal Audit and Investigations Service conforms to performance standard 2400 and the LGAN.

5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive follow-up process in place, the objective of which is to monitor the client’s progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the Audit Committee. From this EQA, it is evident that the Internal Audit and Investigations Service conforms to performance standard 2500 and the LGAN.

5.14 Performance Standard 2600 – Communicating the Acceptance of Risk

Standard 2600 considers the arrangements which should apply if the Head of Internal Audit and Investigations has concluded that managers have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit and Investigations Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Interviews with Key Stake Holders and Survey results

- 8.1 Overall, the results of the interviews with the key stakeholders were positive with the interviewees valuing the professionalism and quality of the services provided by Internal Audit and Investigations. A similar picture emerged from the survey where the respondents valued the services provided by Internal Audit and Investigations. There were no 'do not agree' responses to any of the statements in the survey. The number of survey responses received was low with just three completed surveys returned, however we have noted that some of the people that were sent surveys to complete were also interviewed during the EQA and expressed their views on the service during the interviews. The detailed findings from the survey have been shared with the Head of Internal Audit and Investigations and a summary of the survey results is included in this report at Appendix A.

9. Issues for management action

- 9.1 From our review of the service's self-assessment we have identified five advisory issues that management should consider. Four relate to the operation of the service and not their conformance to the standards, and one is a generic issue relating to the future of the PSIAS for the Head of Internal Audit and Investigations to consider. These are all set out in the table below:

| Issues for management action | Priority |
|---|-----------------|
| Internal Audit and Investigations should consider using the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the council should already be able to access. These are now adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as they can highlight areas where there may be scope to add value to the council. | Advisory |
| The audit charter confirms that there are no impairments to the independence of the Head of Internal Audit and Investigations or the Internal Audit and Investigations Service although we have noted that this is not reinforced in the annual report. As the annual report looks back on | Advisory |

| Issues for management action | Priority |
|---|-----------------|
| the year just finished, whereas the audit charter and plan are designed to look forward, it is suggested as good practice to confirm whether there have been any impairments to independence during the year. | |
| Consider the inclusion of a section in the report setting out where Internal Audit and Investigations has added value to the council during the year just ended. | Advisory |
| Consider including a disclaimer and limitations of use statement in each report. An example of such a statement would be “This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the council’s external auditor and its audit committee to meet legal and professional obligations. It would therefore not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit and Investigations. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it”. | Advisory |
| Management should continue to be mindful of the recent consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, and any changes to the standards arising from the consultation that may affect the service’s future conformance to the standards. It is, therefore, suggested that the Head of Internal Audit and Investigations continues to keep a watching brief on the developments to the standards and how this may impact the service in the medium term. | Advisory |

The co-operation of the Head of Internal Audit and Investigations in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chair of the Audit Committee and the key stakeholders that made themselves available for interview during the EQAs and/or completed the survey.

Ray Gard, CPFA, FCCA, FCIA, DMS

6 September 2023

10. Definitions

| Level of Conformity | Description |
|---------------------------|--|
| Fully Conforms | The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual standards, the element of the code of ethics, and the local government application note in all material respects. This means that there is general conformance to the individual standards, elements of the code of ethics, or the local government application note. |
| Partially Conforms | The internal audit service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual standards, elements of the code of ethics, or the local government application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the standards, elements of the code of ethics, and/or the local government application note. The internal audit service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of internal audit and may result in actions for senior management or the board of the organisation to address. |
| Does Not Conform | The internal audit service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual standards, elements of the code of ethics, or the local government application note. These deficiencies will usually have a significant adverse impact on internal audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to internal audit. Some identified deficiencies may be beyond the control of internal audit and may result in recommendations to senior management or the board of the organisation. |

| Action Priorities | Criteria |
|------------------------|---|
| High priority | The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently. |
| Medium priority | The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months. |

| | |
|---------------------|--|
| Low priority | The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent. |
| Advisory | These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice. |

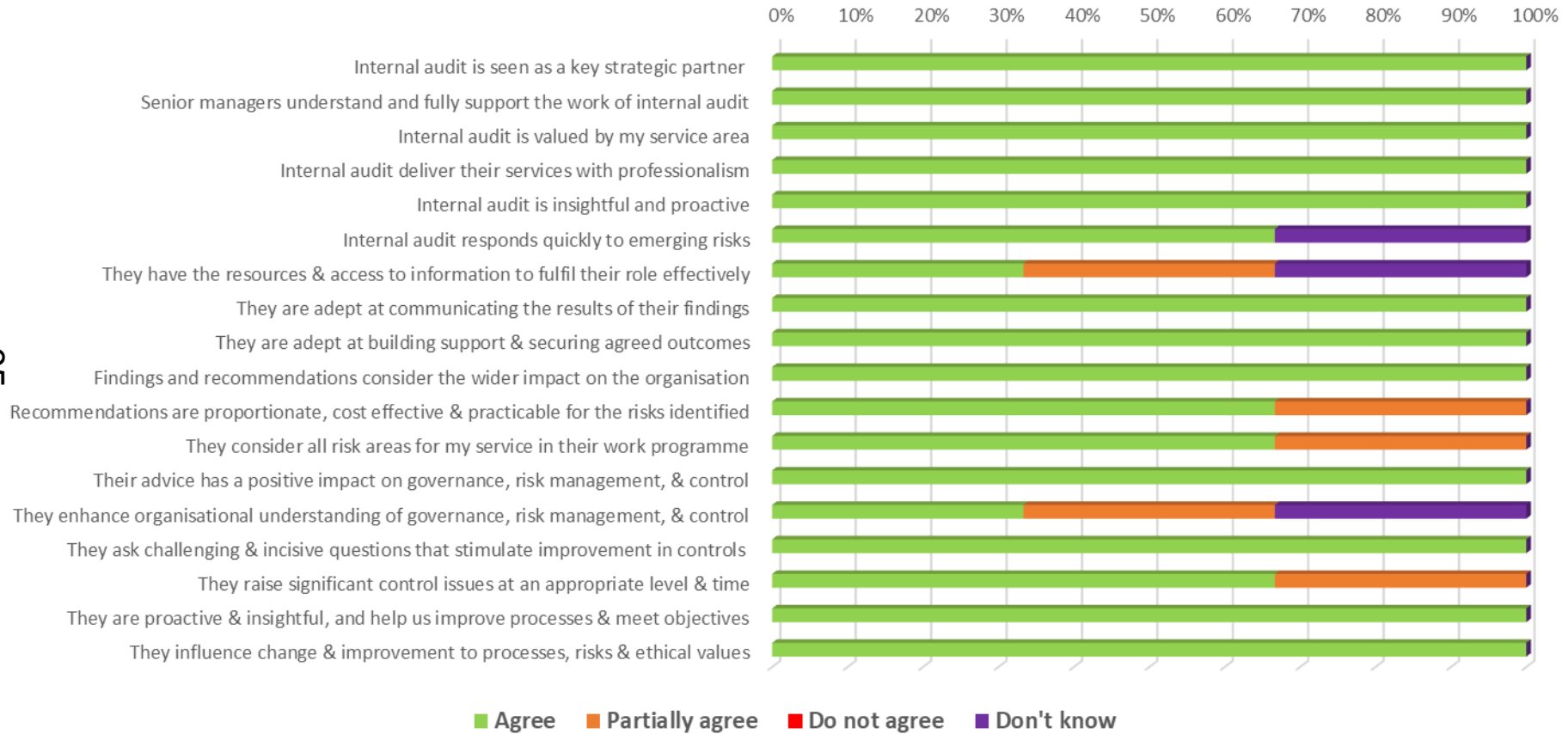
11. Disclaimer

This report has been prepared by CIPFA at the request of the Wokingham Borough Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Wokingham Borough Council's Internal Audit and Investigations Service, including the officers and elected Members of the council, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Wokingham Borough Council - Internal Audit Survey

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| | |
|-----------------------------|---------------------------------------|
| TITLE | Corporate Risk Register Review |
| FOR CONSIDERATION BY | Audit Committee on 27 September 2023 |
| WARD | None Specific |
| LEAD OFFICER | Deputy Chief Executive - Graham Ebers |

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision-making. Effective ERM is therefore an integral part of the Council's governance arrangements and helps demonstrate the effective use of resources and sound internal controls. The Council's Risk Management Policy and Guidance sets out the policy framework and formally guidance for officers to enable them to pro-actively identify and manage its risks.

RECOMMENDATION

The Audit Committee is asked to review the Corporate Risk Register (at Appendix A) to determine that strategic risks are being actively managed.

SUMMARY OF REPORT

The Corporate Risk Register has been revised by the officer Risk Management Group and Corporate Leadership Team and is shown at Appendix A.

Following input from the Audit Committee in June and July the presentation of the Risk Register has been enhanced by including the Risk Response has been added to the the summary page of the register and the status of the mitigating actions has been recorded against each individual risk.

The Council's top four corporate risks are:

- Budget and financial resilience
- Cyber Security
- Adult Social Care supplier sustainability and sufficiency
- Education for Children with SEND

The Chief Executive will present the report to the Committee noting that there has been an overall increase in risk faced by the Council since the last review of the risk register due to:-

The ongoing impact of inflation which is directly impacting Council costs and those of suppliers

The costs of living crisis is impacting on residents and local businesses increasing demand for Council services

The sector continues to experience pressures with more authorities declaring S114 notices or warning of the need to do so.

Since the register was last reported to Audit Committee on 7th June 2023, the following risks have been escalated to the register

- Risk 18 – Elections Risk

- Risk 22 – Support for Unaccompanied Asylum Seeking Children

Two risks have been removed:-

- Risk 12 Health & Social Care Reform
- Risk 20 Website replacement.

The report describes these risks and includes commentary on changes to existing risks.

The report provides a risk spotlight on fraud. Updating the Audit Committee on the risk of fraud and corruption and the mitigating actions the Council has in place to reduce them.

Background

The Council's Constitution sets out the remit of the Audit Committee as follows with regard to Risk Management.

- b) To monitor the effective development and operation of risk management in the council.
- c) To monitor progress in addressing risk-related issues reported to the committee.

And

- d) To review the assessment of fraud risks and potential harm to the council from fraud and corruption

Analysis of Issues

The following changes have been made to the Corporate Risk Register since the register was last presented to the Committee on 27th June 2022

2.2 New risk no 18. Election 2024

In 2024 the Council will administer the Police and Crime Commissioner elections and all out Borough Council elections on new ward boundaries on 2nd May. This is accompanied by the the Implementation of the second and third phases of the Election Act 2022. There is the additional potential challenge of a general election held at or near the May date. This election would involve counting for two new parliamentary constituencies for the first time. This represents a highly complex election(s). The impact of failing to administer any of these elections effectively would be highly significant for the Council. A project team is in place to mitigate this risk. There is a polling place review underway and resourcing plans are being developed. The risk is being monitored through the Resources and Assets Improvement Board. This is a short-term risk until May 2024.

2.3 New risk no 22. Support for Unaccompanied Asylum Seeking Children (UASC)

This risk was previously incorporated in risk 15 but has been assessed as now being significant enough to warrant being a stand-alone risk. The funding provided by government does not match the costs of providing the needs of these vulnerable children. The government's mandatory National Transfer Scheme requires authorities to accept UASC in numbers equivalent to 0.1% of their under-18 population. All UASC become children in care. Because of the low proportion of Wokingham children who come into our care, the 0.1% requirement places a disproportionate burden on the social work service, and Wokingham does not have enough foster carers with appropriate cultural knowledge and background to meet the needs of UASC, and as a result most are placed out of borough. There is a risk that escalating costs of placement of UASC and ongoing provision of accommodation post-18 presents significant financial challenge to the authority, and that the social care workforce becomes overwhelmed.

2.4 Removed risk 20 – Risk Website

This risk has declined substantially following the successful launch of the new website. The project risk has been effectively mitigated and the residual risk is an operational risk and is being managed at Service level. The website will continue to be enhanced but the risk of complete failure has been mitigated effectively.

2.5 Removed risk 12 – Health and Social Care Reform

This risk has been removed due to the announced delay of reforms to 2025. The risk outlined the impact on the Local Authority of the proposed implementation of the reforms, the expected increase in numbers of people seeking support from Adult Social Care and the lack of funding to match these expected increases in demand. The likelihood of reforms occurring has now reduced significantly meaning this is no longer a key risk for the Local Authority, until future plans are confirmed.

Spotlight on Fraud Risk

2.4 The Council faces the risk of fraud and has in place generic controls to increase awareness of, and to detect and prevent fraud. The Council has a policy framework to combat fraud and corruption embedded within Section 9 of the Constitution: Anti-Fraud and Corruption Strategy, Whistleblowing Policy and Guidance, Anti-Bribery Policy, Anti-Money Laundering Policy and Enforcement and Sanctions Policy. The Council also has Member and Officer Codes of Conduct and Induction programmes to raise awareness of these. The financial chapter 12 and procurement chapter 13 have extensive controls to prevent and detect fraud.

2.5 All local authorities face the risk of fraud. Wokingham's approach is to utilise Cifas "Fighting Fraud and Corruption Locally" strategy that identifies the key fraud and corruption risks for local authorities.

- Social Care fraud: personal budgets and direct payments
- Schools
- Right to buy
- Money laundering
- Commissioning of services
- Tenancy
- Procurement
- Payroll
- Identity fraud
- Council tax
- Blue badge
- Grants
- Insurance fraud
- Disabled facility grants

2.6 These specific risks have been shared with the Risk Management Champions, and individual risks are managed in the appropriate services. For example, the

risk of Insurance fraud is managed within the Resources and Assets Directorate by the Insurance Team.

- 2.7 The Council also takes part in the National Fraud Initiative a data matching regime that compares data from public and private sources to identify potential fraudulent cases. Later in the year the Council will undertake a self-assessment against the Cipfa Code of Practice on managing the risk of fraud and corruption which will be shared with the Audit Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

| | How much will it Cost/ (Save) | Is there sufficient funding – if not quantify the Shortfall | Revenue or Capital? |
|-----------------------------------|-------------------------------|---|---------------------|
| Current Financial Year (Year 1) | £0 | Yes | Revenue |
| Next Financial Year (Year 2) | £0 | Yes | Revenue |
| Following Financial Year (Year 3) | £0 | Yes | Revenue |

Other financial information relevant to the Recommendation/Decision

Effective risk management mitigates financial risks associated with the Council achieving its objectives.

Cross-Council Implications

Risk management influences all areas of the Council – effective risk management is one of the ways assurances is provided that the Council’s key priorities and objectives will be achieved.

Public Sector Equality Duty

An Equality Impact Assessment is not required on the Corporate Risk Register. The impact on Equality is assessed in the impact of each risk.

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*

The effective management of risk supports the achievement of this important priority

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

Corporate Risk Register – September 2022

Contact Andrew Moulton, Paul Ohsan
Ellis

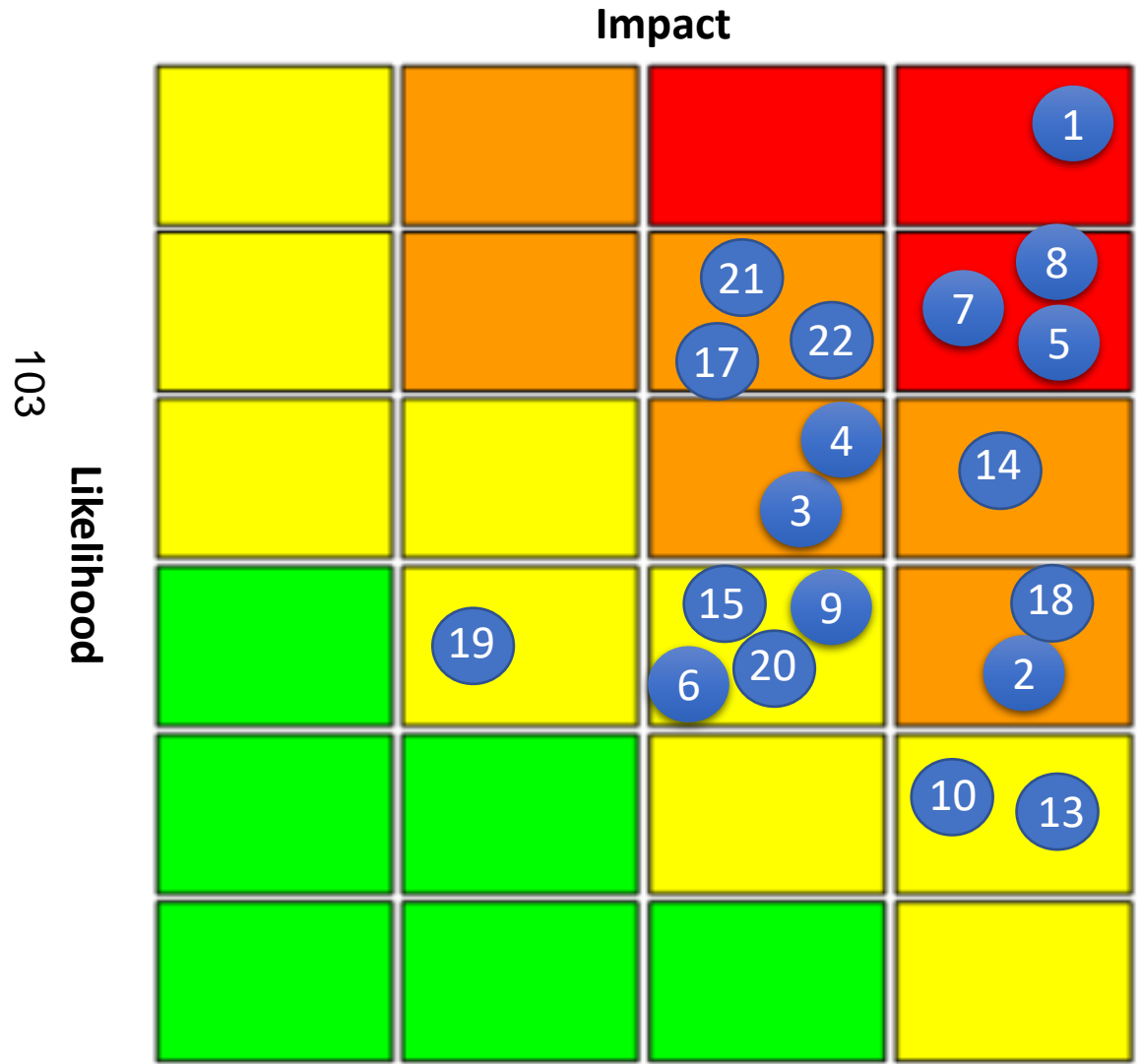
Service Governance

Telephone No Tel: 07747 777298, Tel:
0118 974 6096

Email
andrew.moulton@wokingham.gov.uk,
paul.ohsan.ellis@wokingham.gov.uk

Appendix A - Corporate Risk Register
September 2023

| | | | | |
|---------------------------|------------------|-------------|---------------|------------|
| Current Assessment | Very High | High | Medium | Low |
|---------------------------|------------------|-------------|---------------|------------|



| Ref | Risk | Response |
|-----|---|------------------|
| 1 | Budget & Financial Resilience | Treat |
| 2 | Corporate Governance | Treat |
| 3 | Workforce | Treat |
| 4 | Uncontrolled Development (Local Plan Update) | Treat |
| 5 | Outcomes & Costs for Children with SEND | Treat |
| 6 | Health & Safety | Treat |
| 7 | ASC Supplier Sustainability and Sufficiency | Treat |
| 8 | Cyber Security | Treat |
| 9 | Deliver Council's Climate Emergency Action Plan | Tolerate |
| 10 | Major Emergency Response (e.g. Pandemic) | Treat |
| 12 | Health & Social Care Reform — remove | Treat |
| 13 | Adult Safeguarding – all statutory responsibilities | Treat |
| 14 | Children's Safeguarding | Treat |
| 15 | Resources to support emerging communities | Treat |
| 17 | Mainstream Education Provision (?) | Treat |
| 18 | Magnitude of change for 2024 Elections* | Treat |
| 19 | Information Governance | Treat |
| 20 | Website Replacement | Treat |
| 21 | Local Housing Needs | Treat |
| 22 | Support for Unaccompanied Asylum Seeking Children* | Treat |

Key to Abbreviations

SC - Cllr Stephen Conway, Leader of Council and Executive member of housing
PB - Cllr Prue Bray, Deputy Leader and Executive member for children's services
CJ - Cllr Clive Jones, Executive member for business and economic development
RBF - Cllr Rachel Bishop Firth, Executive member for equalities, inclusion & fighting poverty
LF - Cllr Lindsay Ferris, Executive member for planning and the local plan
SK - Cllr Sarah Kerr, Executive member for climate emergency and residents services
IS - Cllr Ian Shenton, Executive member for the environment, sports and leisure
PF - Cllr Paul Fishwick, Executive member for active travel, highways and transport
DH - Cllr David Hare, Executive member for wellbeing and adult services
ISD - Cllr Imogen Shepherd-Dubey, Executive member for finance

SP Susan Parsonage, Chief Executive
GE Graham Ebers, Deputy Chief Executive & Director of Resources & Assets
~~SW~~ Sally Watkins, Chief Operating Officer (COO)
HW Helen Watson, Director of Children's Services
GF Giorgio Framalico, Director of Place & Growth
MP Matt Pope, Director of Adult Social Services
AM Andrew Moulton, Assistant Director Governance & Monitoring Officer
GC Graham Cadle, Assistant Director Finance
LL Louise Livingston, Assistant Director Human Resources and Organisational Design
TS Trevor Saunders, Assistant Director, Planning
JW Jackie Whitney, Strategic Lead Customer, Change and IT
RH Rhian Hayes, Assistant Director Economy and Housing
FH Francesca Hobson, Assistant Director Environment and Safety

Key Priorities (from Community Vision and Council Plan)

1. Safe, strong communities
2. Enriching lives
3. Right homes, right places
4. Keeping the Borough moving
5. A clean and green Borough
6. Changing the way we work
7. Be the best we can

Key Priority at Risk: Community Vision

Owner

Change

ISD

GE

None

1

RISK: Budget and financial resilience

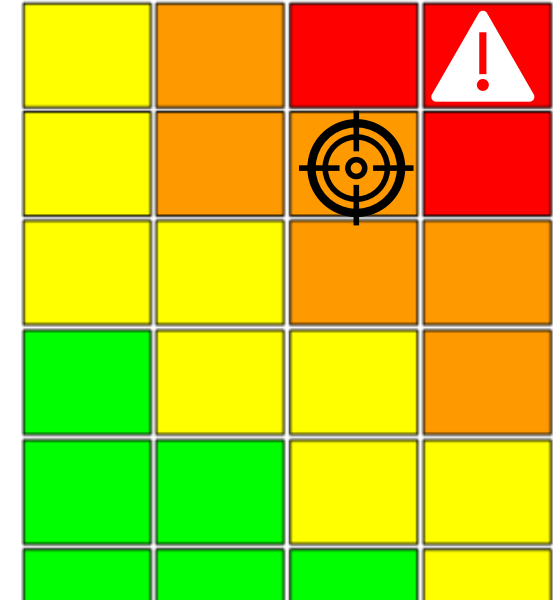
Due to significant increased costs (including inflation and national minimum wage), loss of income, increased cost of borrowing and/or non-realisation of forecast savings and increased demand for services due to the cost of living there is a risk that the Council is unable to finance its current services resulting in a reduction in reserves, cuts in services, failure to meet statutory duties, and if unchecked a Section 114 notice.

Existing Controls:

105

- CFO report (Jan Executive)
- Financial and Contract Regulations (section 12 & 13 constitution)
- Budget Monitoring (Revenue & Capital)
- Strategic Approach to Capital Investment (Capital Strategy & Treasury Management Strategy)

- Internal Audit Annual Report
- Annual External Audit of Accounts
- Overview and Scrutiny consideration of 23/24 budget
- Cipfa Code of Financial Management Review



Current Risk
 Target
 Risk on Target

| Mitigating Actions | Owner | Date | Status |
|--|-------|----------------|-------------|
| Overview & Scrutiny Budget Overview including reserve position | GC | 2 October 2023 | On track |
| Sign off of Annual Accounts 2021/22 | GC | February 2024 | At risk |
| Constitution Review of financial, governance and procurement regulations | AM | February 2024 | Some issues |
| Internal Audits of financial systems | GC | March 2024 | On track |
| Review of capital programme and associated monitoring (Gold Group) | GC | March 2024 | On track |
| Review of Cipfa Code of Financial Management action plan | GC | November 2024 | Some issues |
| Review of the councils overall financial standing and reserves | GC | November 2024 | On track |

Key Priority at Risk: Community Vision

2

RISK: Corporate Governance

Governing effectively to ensure achievement of the Council's purpose and priorities within the resources available and achieving value for money. Without effective corporate governance, there is a risk that through unethical behaviour or ineffective decision-making, residents lose trust in the way the Council undertakes and carries out its duties.

Existing Controls:

Community Vision and Corporate Delivery Plan
Local Code of Corporate Governance
Constitution (i.e. Council rules of procedure, conduct and compliance, anti fraud & corruption policies)
Annual Governance Statement
Key Performance Indicator Reporting (OSMC) and Annual Report

Risk Management Policy & Guidance
Audit Committee Review of Risk Register
Internal Audit Annual Report
External Audit Management Letter
Standards Committee Annual Report
Overview & Scrutiny Annual Report
LGA Corporate Peer Challenge & Follow up visit
Governance Dashboard

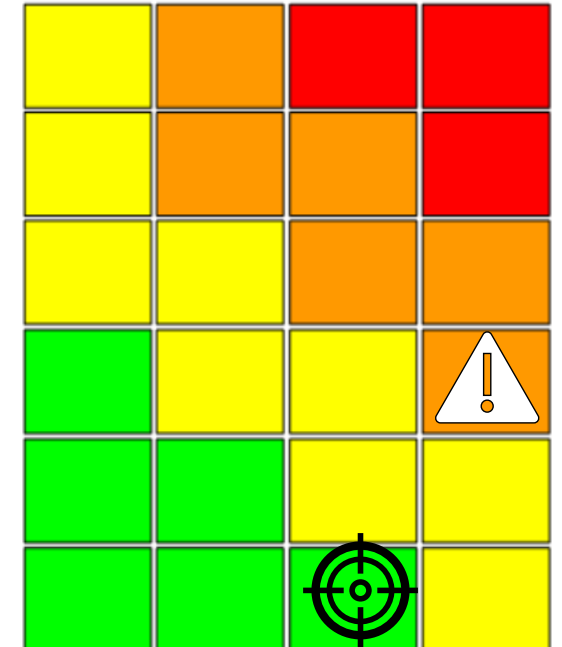
Owner

Change

SC

SP

None



Warning Current Risk Target Risk on Target

106

Mitigating Actions

| Mitigating Actions | Owner | Date | Status |
|--|-------|---------------|-------------|
| Update on 2022/23 AGS action plan implementation | SP | November 2023 | Complete |
| Interim Council Plan | SP | November 2023 | On track |
| Review of the Councils Constitution | AM | February 2024 | Some Issues |
| Assurance Framework presented to Audit Committee | AM | February 2024 | On track |
| Community Vision agreed with Partners | SP | July 2024 | On track |

Key Priority at Risk: Community Vision, Safe, Strong Communities & Enriching Lives

3

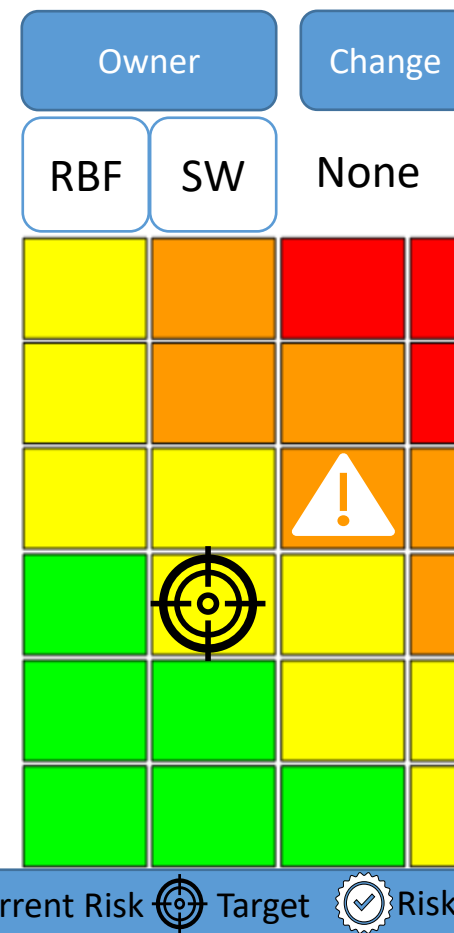
RISK: Workforce

Due to the national challenges in recruiting and retaining permanent staff with the right levels of skills, competence and experience, there is a risk to the council's ability to deliver its community vision and statutory responsibilities, which could, if not managed lead to fines, reputational risks and harm to residents. (frontline adult and children's workers)

Existing Controls:

- Pay Policy
- Meet Statutory Equal Pay requirements
- Annual Performance Appraisals
- Reward and Recognition
- Training Budgets
- Recruitment Specialists
- Corporate Agency Contract

- Workforce Dashboard and Establishment reporting
- HR systems (BWO, Applicant Tracking and Learning Management)
- Mandatory Training
- Learning & Organisational Development Functions



107

| Mitigating Actions | Owner | Date | Status |
|--|-------|-----------|----------|
| Engage with stakeholders to undertake HR policy review with implementation and training programme set up to support review | LL | 31 Mar 24 | On track |
| New People Strategy in development | LL | 31 Jan 24 | On track |
| Review of all Recruitment processes | LL | 31 Jan 24 | On track |
| Leadership Learning programme in development | LL | 31 Dec 23 | On track |

Key Priority at Risk: Right Homes, Right Places

4

RISK: Uncontrolled Development - Local Plan Update

Without effective planning policies, there would be no real control or influence over where and how new housing and other types of development take place. This could lead to housing and other forms of development being allowed in poor locations, being of lower quality, and in places where infrastructure cannot be improved to help deal with the impacts.

Existing Controls:

- Timetable for adoption of new Local Plan in place but needs to be reviewed
- Resources allocated and kept under review
- Cross party planning policy working group reconstituted following election of new administration

- O&S regular update on LPU progress
- Revised growth strategy consulted upon in November 2021 – January 2022
- Monitoring housing developments and five-year land supply

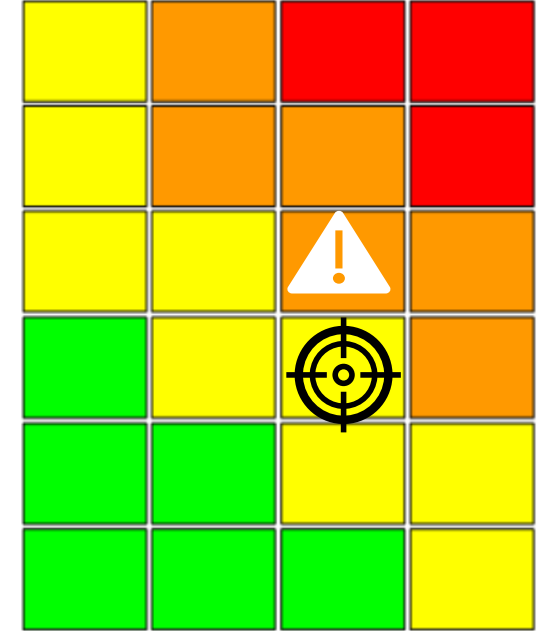
Owner

Change

LF

GF

None



Warning Current Risk Target Risk on Target

108

Mitigating Actions/Key Milestones

| Mitigating Actions/Key Milestones | Owner | Date | Status |
|--|-------|------------------|------------------------|
| Local plan timetable to be reviewed | TS | July 2023 | On track |
| Next local plan consultation stage (Regulation 19) | TS | November 2023 | On track* ¹ |
| Submission of Local Plan Update to Government | TS | March- June 2024 | On track |
| Inspector examination | TS | August 2024 | On track |
| Adoption of LPU | TS | 2025 | On track* ² |

Key Priority at Risk: Enriching Lives & Safe, strong communities

5

RISK: Outcomes and Costs of Provision for Children with SEND

Due to increased demand and complexity of need there is a risk that there are insufficient funds to ensure Children with SEND receive adequate provision without further overspend on the High Needs Block (£10m+) and the related transport costs, risking a substantial impact on the Council's finances.

Existing Controls:

- Childrens' Services Overview & Scrutiny
- Regular review of SEND Strategy
- Collaboration with SEND Voices & SENDIASS Wokingham
- Monitoring and Forecasting of Need and Demand
- Gold & Silver Monitoring and Direction Meetings Weekly
- Learning from other Local Authorities (Safety Valve and DBV)

- Improved relationships with providers
- Weekly meetings with DfE SEND Advisor
- Deficit Reduction Plan
 - Expansion of Addington School
 - Winnersh Farm School (Oak Tree)
 - PRU improvement
 - Resource Base & SEND Unit review
 - Successful School Bids (x2)
- SEND Improvement Board

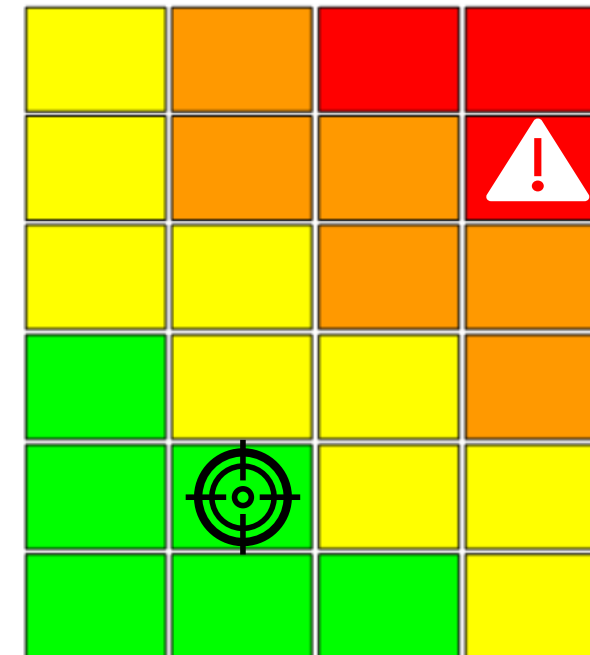
Owner

Change

PB

HW

None



! Current Risk Target Risk on Target

109

| Mitigating Action | Owner | Date | Status |
|--|-------|----------------|----------|
| Launch of interim Specialist Outreach Model for Early Intervention (full model in development) | MZ | September 2023 | On track |
| New SEN Resource Bases open | MZ | September 2024 | On track |
| New Post 16 Pathways open | MZ | September 2025 | On track |
| Two new Special Free Schools Open | MZ | September 2026 | On track |
| Two new Special Free School full | MZ | September 2028 | On track |

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

6

RISK: Health & Safety

Due to insufficient capability, capacity and awareness there is the risk that the Council does not meet its statutory duties in key areas leading to avoidable harm, litigation, fines, corporate manslaughter and reputational damage.

Existing Controls:

- Health & Safety Statutory policies in place
- Strategic Plan to identify continuous improvement “Seeking Assurance” programme (two yearly)
- Health & Safety specialist advisers in place

- Incident Reporting System
- H&S Board established

110

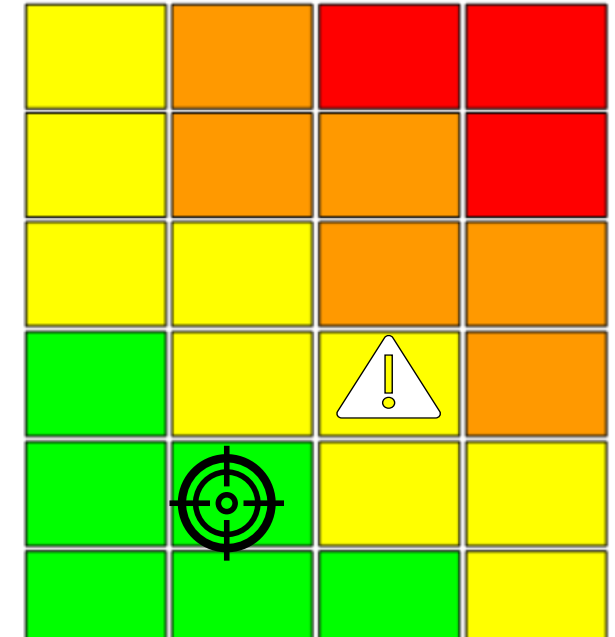
Owner

Change

RBF

SP

Increase



Warning Icon Current Risk Target Risk on Target

| Mitigating Action | Owner | Date | Status |
|--|-------|--------------|----------|
| Survey of Council Properties to establish presence of Reinforced Autoclaved Aerated Concrete (RAAC) | SM | September 23 | On track |
| Commissioning an external peer such as the British Safety Council to review our H&S compliance and support overall focus and direction | LL | November 23 | On track |
| Refine H&S key performance indicators | LL | December 23 | On track |
| Health and Safety Board implements an annual safety improvement action plan | GE | April 24 | On track |

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

7 RISK: Adult Social Care Supplier Sustainability and Sufficiency

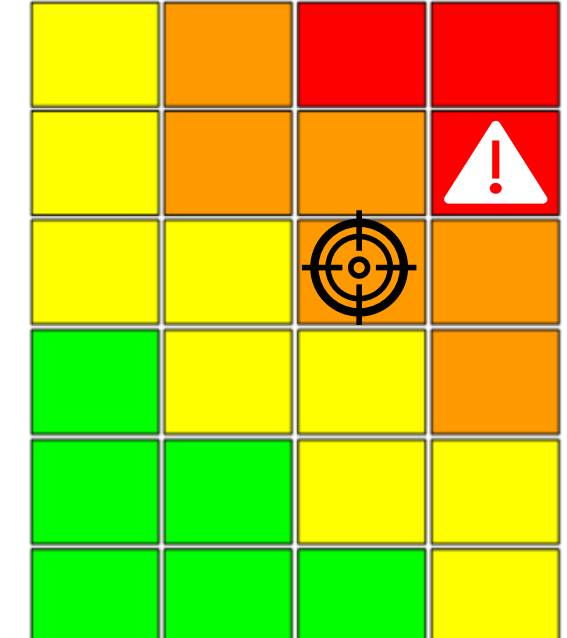
Due to increasing needs of our local older and disabled people population demand is increasing, placing the social care system under huge strain. It is acknowledged that nationally that there has historically been insufficient funding within the care sector to meet the challenges faced by our local care providers. The lack of a permanent, sustainable funding deal are further exacerbated by external factors including the cost-of-living crisis, inflationary pressures and workforce pressures impacting on capacity within the sector leading to a high level of instability within the social care market. There is a risk that a provider may fail, that we are carrying more statutory risk and higher waiting lists, or that we are unable to source care good quality, suitable care for a vulnerable resident. There have been recent provider failures in 2023 and more packages of care handed back by providers. Not only is this impacted on our finances but if the risk continues, it is expected to also have an impact on the quality of care delivered.

Existing Controls:

- Care Capacity Tracker monitoring and targeted action taken as required
- Lobbying of MPs and Government
- Workforce Strategy workstreams in place
- In-house provision (via Optalis) is seen as one of our best opportunity to control costs and managing sufficiency within the local market

- Quarterly provider forums
- Early warning flags identified for key providers
- Offered commissioned providers a 7% (capped so that rates did not go above acceptable threshold) uplift in 2023/24
- Allocation of existing government grants
- Market Sustainability Plan published

| | |
|-------|--------|
| Owner | Change |
| DH | MP |
| None | |



! Current Risk Target Risk on Target

Mitigating Action

| Mitigating Action | Owner | Date | Status |
|--|-------|----------|----------|
| Continue to work with the sector to ensure that commissioning arrangements are fit for purpose | MP | March 24 | On track |
| Routine monitoring of providers sufficiency with support provided as required, and monthly reviews to assess any wider action required. Contingency planning in place to address any significant issues raised by care providers. Action to remain in place for the remainder of the year and reviewed regularly | MP | March 24 | On track |

Objective at Risk: Community Vision

Owner

Change

8

RISK: Cyber Security

SK

SW

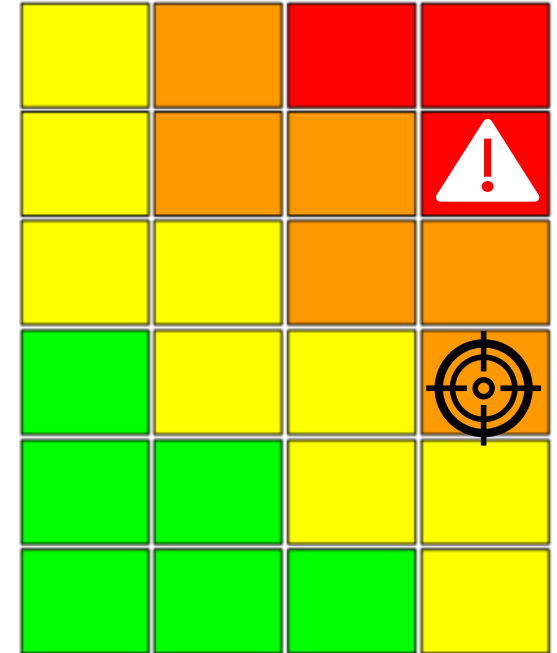
None

Due to an external cyber attack (Ransomware) there is a risk of unavailability of key information and/or disclosure of personal sensitive data causing inability to deliver services, increased costs, fines, reputational damage and loss of trust.

Existing Controls:

- Cyber security response team BCP
- Public Service Network Accreditation (expires 2024)
- Independent penetration testing (annual)
- Information Security and Acceptable Use Policy
- Encrypted and patched equipment
- Cyber security awareness campaign
- Internal Audit
- Internal Data & Information Governance Board
- Security monitoring and response

- Routine & Emergency patching and firewall configuration (increased frequency)
- Following NCSC Board Toolkit Action Plan
- Membership of the South East Warning Advisory Group
- Cyber Incident Plan
- Cyber Response Partner
- SEIM and SOC
- Simulated phishing attack programme
- CLT Cyber Security Leadership Briefing



Warning Current Risk Target Risk on Target

112

| Mitigating Action | Owner | Date | Status |
|---|-------|----------|--|
| Commence work on Cyber Essentials Plus or Future Networks 4 Government (FN4G) Accreditation dependant on decommissioning of PSN | JW | Jan 24 | Continuing with PSN until dates from GDS |
| Internal simulated phishing campaign | JW | Oct 2023 | On track |

Objective at Risk: A clean and green borough

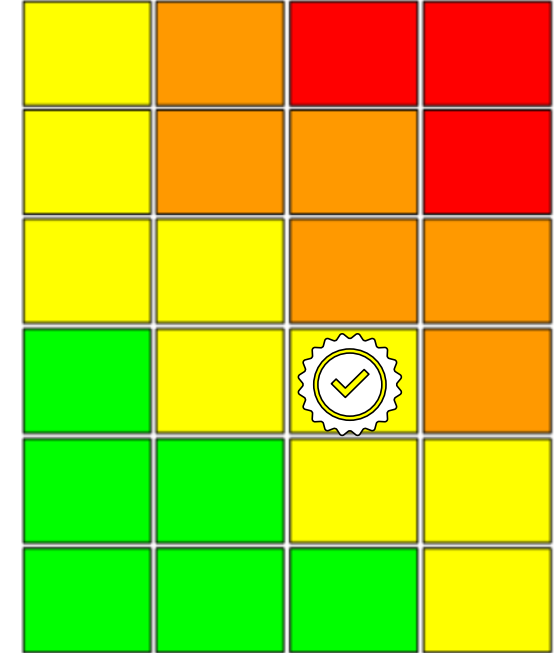
Owner

Change

SK

GF

None



⚠ Current Risk 🎯 Target ✅ Risk on Target

9 RISK: Failure to Deliver Council’s Climate Emergency Action Plan

Due to the costs, increasing competing priorities and complexity of behaviour change required, there is a risk that the Borough is unable to meet its carbon reduction aspirations leading to a failure of the Borough to deliver its contribution to climate change reduction.

Existing Controls:

- Climate Emergency Action Plan
- Annual CEAP progress report to Council.
- Monitoring groups to discuss CEAP progress, remove delivery barriers and assess further carbon reduction opportunities.

- Climate Emergency O&S Committee
- Draft Climate Adaptation Risk Register

113

| Mitigating Action | Owner | Date | Status |
|---|-------|-----------|-------------|
| Fourth annual progress report on delivery of the Climate Emergency Action Plan to Council | RH | Sept 2024 | Some issues |
| Development of an adaptation plan to adapt operations and infrastructure to climate impacts | RH | Dec 2024 | On track |

Objective at Risk: Safe, Strong Communities

10

RISK: Major Emergency Response (e.g. Pandemic)

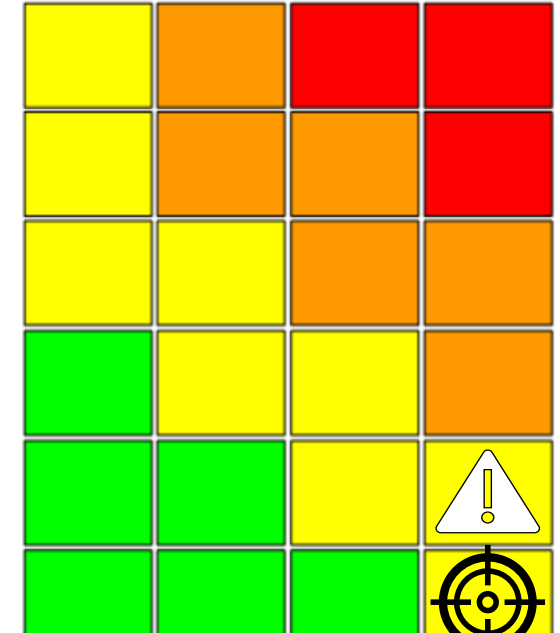
Due to an unlikely but high impact major emergency the Council is required to lead a large-scale community response leading to impact on business as usual and requirement to focus resources on key priorities.

Existing Controls:

- Emergency plan and Council-wide Business Continuity Planning
- Learning from Overview & Scrutiny review of Covid response
- In-house Emergency Planning Service

- Gold, Silver and Bronze response structure
- Seasonal business continuity training and plan updates
- Delivering training for gold, silver and bronze

| | | | |
|-------|----|--------|--|
| Owner | | Change | |
| SC | SP | None | |



Current Risk
 Target
 Risk on Target

114

| Mitigating Action | Owner | Date | Status |
|--|-------|----------------|----------|
| Silver command restructure | FH/SB | September 2023 | On track |
| Service level review of Emergency Planning by neighbouring authority and/or Emergency Planning College | SB | November 2023 | On track |
| Reviewing key emergency plans (including major incident plan) | FH/SB | November 2023 | On track |
| Creation and implementation of revised business continuity programme | FH/SB | November 2024 | On track |

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

13

RISK: Failure to meet statutory duties (Safeguarding Adults)

Due to insufficient capability/capacity, there is the risk that the Council does not meet its safeguarding responsibilities for adults leading to avoidable harm, litigation, fines and reputational damage. There is risk associated with the change in legislation for Liberty Protection Safeguards (LPS) as the plans have not yet been confirmed and the demands on the system are not yet fully known.

Existing Controls:

- Adult Safeguarding Hub (ASH)
- Pan Berkshire Policies and Procedures
- ASH new proportionate and person-centred processes and pathway
- ASH fully staffed and dedicated Admin
- Effective relationships embedded with key partners and forums
- Management and supervision

- Staff training and awareness
- Berkshire West Safeguarding Board
- Care Governance Quality Assurance
- Risk Assessment for Safeguarding complete
- Joint working between HoS and PSW
- Quality Assurance Framework in place
- Health Overview & Scrutiny Committee

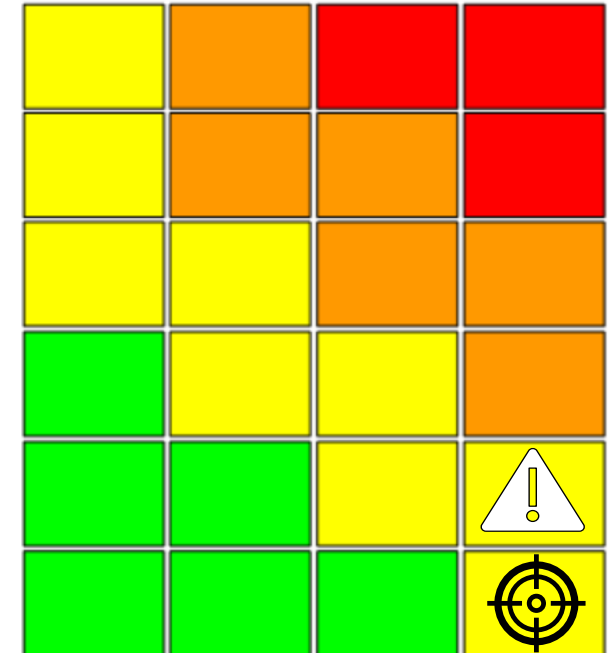
Owner

Change

DH

MP

Increase



⚠ Current Risk 🎯 Target 🏆 Risk on Target

115

Mitigating Action

ASC workforce strategy and delivery of action plan being driven through a number of workstreams

Owner

MP

Date

March 24

Status

On track

Key Priority at Risk: Enriching Lives & Safe, Strong Communities

14

RISK: Failure to meet statutory duties (Safeguarding Children)

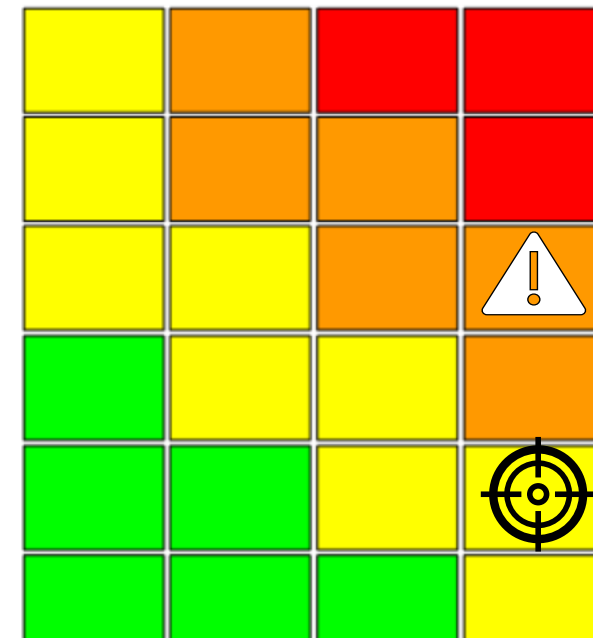
Whilst it is recognised that the risk of harm to children and young people can never be completely eliminated, if sufficient controls are not in place, there is a risk of avoidable harm to children leading to litigation, fines and severe reputational damage to the Council.

Existing Controls:

- Scrutiny by the Children's Services O&S Committee
- Scrutiny from the BWSCP Child Protection Procedures and Safeguarding Partnership
- Social work practice development through the Learning & Development Programme
- Quality Assurance Framework
- Case Reviews & Audits
- Robust Policies and Procedures
- Clear Practice Framework
- Staff Supervision, challenge and support

- Manageable caseloads
- ASYE recruitment programme to build social worker pipeline and ensure sufficient capacity.
- Additional Assistant Team Managers to support supervision
- Practice consultants/assistants to support practice quality
- Use of locum staff to fill gaps in workforce as required
- Flexible approach to additional posts as required to meet increase in demand
- Monitoring demand & caseloads, ensuring swift review of staffing needs

| | | |
|-------|----|--------|
| Owner | | Change |
| PB | HW | None |



Warning Icon Current Risk Target Risk on Target

116

| Mitigating Action | Owner | Date | Status |
|---|-------|----------|----------|
| Practice Improvement Programme for Children's Services | MD/AD | March 24 | On track |
| Review of QA Framework to ensure appropriate challenge and identification of emerging risks at the earliest stage | MD | March 24 | On track |
| Recruitment and Retention programme to ensure sufficient capacity and capability | VEK | March 24 | On track |
| Ofsted Improvement Plan Implementation | MD | March 24 | On track |

Key Priority at Risk: Safe, Strong Communities

15

RISK: Resources to support emerging communities

Due to insufficient resources, there is the risk that the Council is unable to meet the needs of Ukrainian's, Hong Kong nationals, and refugees from other countries leading to escalation of needs, ineffective support and damage to community cohesion.

Existing Controls:

- Refugee team set up which monitors emerging needs and safeguarding
- A collaboration with Voluntary Sector and Partners to ensure a coordinated approach.
- Child and Adult Safeguarding to protect vulnerable people
- Ensure all grants are claimed for Ukrainian and Afghan refugees
- Educational provision for children and support for adults for employment and benefits

- Caseworkers in place to liaise with hosts and Ukrainian guests.
- Contingency arrangements in place to prevent and respond to relationship breakdown between hosts and guests.
- Links established with Ukraine Centre in Reading.
- Co-produced social inclusion and activity programme with voluntary sector.

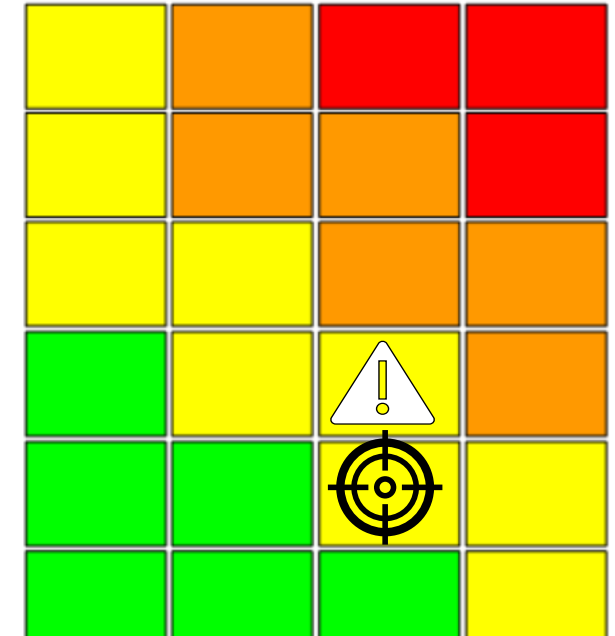
Owner

Change

SC

GF

None



⚠️ Current Risk 🎯 Target ✅ Risk on Target

Mitigating Action

Delivery of 17 dwelling capital programme to provide a range of family sized accommodation for Ukrainian and Afghan refugees *9/17 properties completed and purchase offer agreed on rest.

Owner

Date

Status

RH

November 2023

On track

Implementation of social inclusion and activity events programme

RH

Recurring

On track

Key Priority at Risk: Enriching Lives

17

RISK: Mainstream Education Provision

Due to (a) increased numbers of children moving into the borough including international arrivals (Hong Kong nationals and Ukrainian children) in both primary and secondary phases; (b) peak primary rolls passing into the secondary sector; (c) too few places for girls (secondary phase); and withdrawal of capital funding for school place expansion there are risks of (i) a breach in statutory place sufficiency duty and (ii) new capital programme requirements.

Existing Controls:

- Primary Strategy 2018 to 2028
- Secondary Strategy 2022
- Forest School to become Co-Ed
- SCAP annual statutory places return to DfE
- Annual update of roll projections
- Regular reports to Children's Services O&SC
- Regular Leadership Team updates
- 'Gold' governance arrangements in place

- Fair Access Protocol
- Regular item at BEP meetings
- Regular meetings with Finance team
- Engagement with schools on additional places
- Relationships with neighbouring boroughs
- Portal based admissions tracking (LA and Schools)

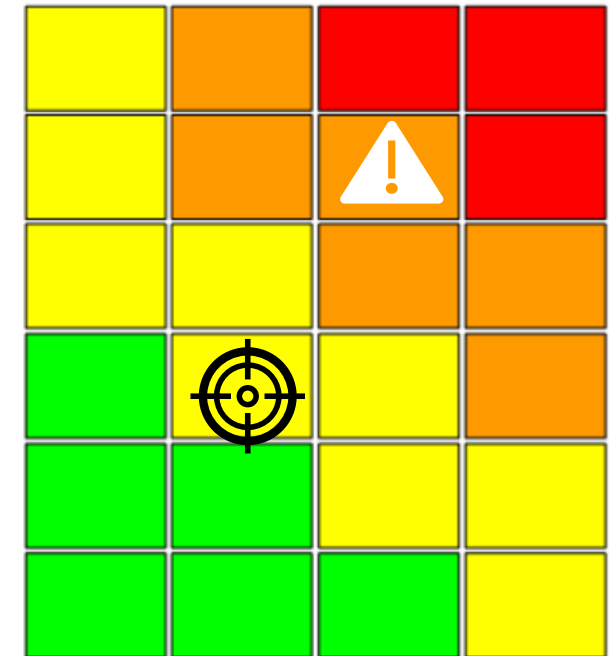
Owner

Change

PB

HW

None



Warning Current Risk Target Risk on Target

118

| Mitigating Action | Owner | Date | Status |
|--|-------|---------------|----------|
| Development of Business as Usual annual school place planning cycle | MZ | December 2023 | On track |
| Secondary place strategy school level expansion plans in preparation | MZ | Sept 2023 | On track |
| Engagement with Schools on additional places (above PAN) | MZ | Sept 2024 | On track |

Key Priority at Risk: All

18

RISK: Magnitude of change for 2024 Elections

Due to the potential combination of all-out Borough and Parliamentary (two constituencies) with new polling districts, PPC elections and the implementation of the Elections Act , there is a risk of significant additional administrative burdens resulting in delays to voting, disenfranchisement of some voters, breach of duty, legal challenge, reputational damage, Parliamentary, Borough and/or Parish Councils without democratic legitimacy and potential re-run of elections.

Existing Controls:

119

- Guidance from Electoral Commission for electoral administrators and support from Association of Electoral Administrators (AEA)
- National publicity scheme by Electoral Commission (from Jan 2024)
- Additional Government funding received to support implementation of Voter ID

- Dedicated implementation risk register
- Overall project plan for 2024 elections including parliamentary contingency
- Information publicised on Council website

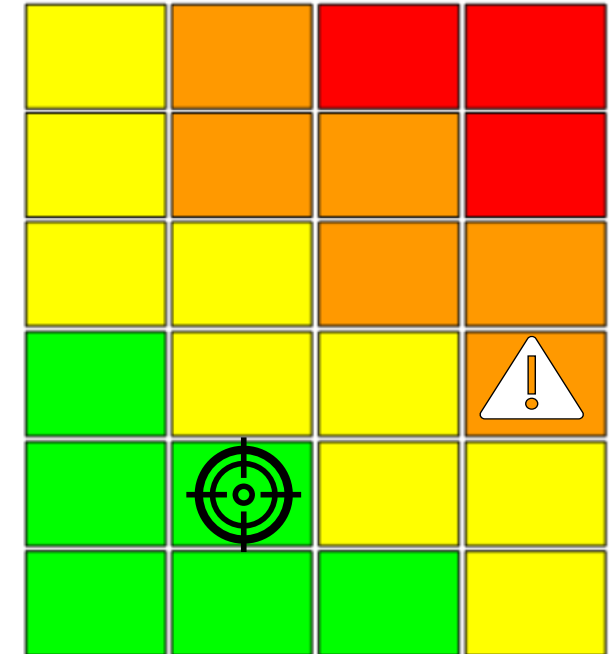
Owner

Change

CJ

GE

New



Warning Current Risk Target Risk on Target

| Mitigating Action | Owner | Date | Status |
|---|-------|----------------|----------|
| Association of Electoral Administrators (AEA) health check review | AM | November 2023 | On track |
| Polling Places Review | AM | January 2024 | On track |
| Resource planning | AM | March 2024 | On track |
| Communication of electoral commission changes | AM | Jan – May 2024 | On track |

Objective at Risk: Community Vision

19

RISK: Information Governance

Due to gaps in information governance arrangements and inability to support IT solutions for data retention and deletion (e.g. Mosaic), there is a risk of disclosure of personal sensitive data, and unlawful data retention resulting in individual distress, fines, reputational damage and loss of trust. Subject Access Requests (SARs) not being met resulting in fines, reputational damage and loss of trust.

Existing Controls:

- Internal Data and Information Governance (DIG) Board
- Mandatory training for new and existing staff
- Information Security and Acceptable Use Policy
- Encrypted equipment
- Secure email
- Document marking scheme

- Performance Monitoring
- Incident Reporting
- Membership of Berkshire DPO Group
- Information Governance Toolkit Assessment
- Guidance from the ICO
- SAR Policies and Procedures
- Monitoring SAR Caseloads
- SAR Reporting into CS Directorate Leadership Team

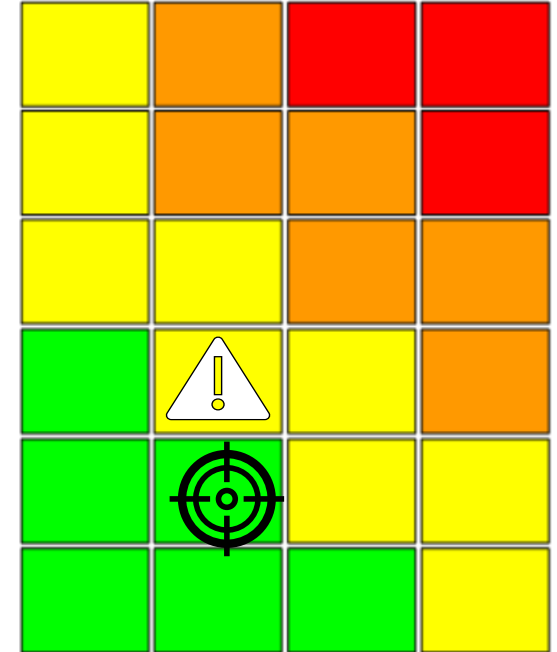
Owner

Change

ISD

GE

None



Warning Icon Current Risk Target Risk on Target

120

| Mitigating Action | Owner | Date | Status |
|---|-------|---------------|-------------|
| Information Security & Acceptable Use Policy update | AM | March 2023 | Overdue |
| Implementation of demand management opportunities to reduce SAR requests in children's services | HW | December 2023 | On track |
| Implementation of Information Governance Toolkit Assessment | AM | March 2024 | Some issues |

Key Priority at Risk: Right Homes, Right Places

21

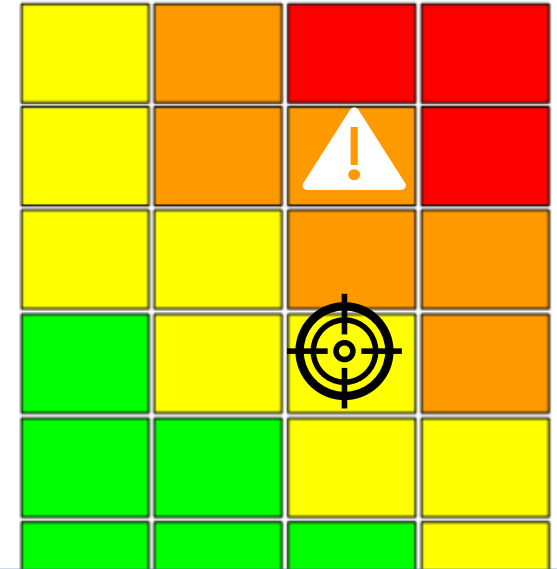
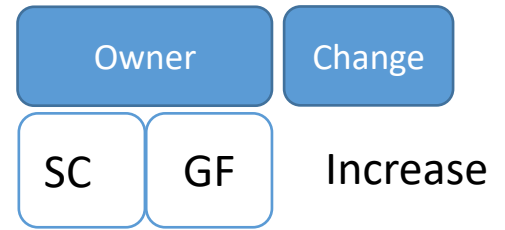
RISK: Meeting Affordable Housing Need

Due the Council or partners delaying or abandoning pipeline projects as well as private developer sites failing to come forward, in turn providing fewer affordable housing contributions, there is a risk there will be insufficient stock to meet Specialist and General Needs accommodation needs leading to increased pressures on the Council's budgets particularly in Place and Growth, Adults Social Care and Children Services as well as poorer outcomes for residents.

Existing Controls:

- Maximising developer contributions in both on-site delivery and S106 commuted sums
- Accessing external grant opportunities through Homes England etc.

- Ensuring pipeline of development for specialist housing
- Assess opportunities in HRA



Warning Current Risk Target Risk on Target

| Mitigating Action | Owner | Date | Status |
|---|-------|---------------|-------------|
| Understand the financial implications of not delivering sufficient accommodation on Council services and looking for opportunities to create savings through increased delivery | RH | October 2023 | On track |
| Silver groups has been set up to look at the most urgent housing priorities and senior professionals(specialist) workshops being organised to tackle short term housing matters. (Link to Risk 22) | RH | December 2023 | On track |
| Setting the Council's strategic direction through development of new Housing Strategy, Homelessness and Rough Sleeping Strategy and Young People's Housing Strategy with an emphasis on addressing housing need for priority groups | RH | November 2024 | On track |
| Draft Planning policy change to increase the standard and size of affordable housing to met the needs of all residents of the borough including those with additional physical needs | RH | TBC | Some Issues |

Key Priority at Risk: Safe, Strong Communities

22

RISK: Support for Unaccompanied Asylum Seeking Children

Due to insufficient resources and in-Borough provision there is a risk that the Council is unable to provide effective support and placements for Unaccompanied Asylum-Seeking Children (UASC), including a significant increase in the cost of statutory accommodation for Care Leavers as UASCs reach the age of 18 leading to increased costs and long-term impacts on vulnerable children and young people.

Existing Controls:

Ensure all grants are claimed for UASCs Silver Group to identify resources to meet the need.

122

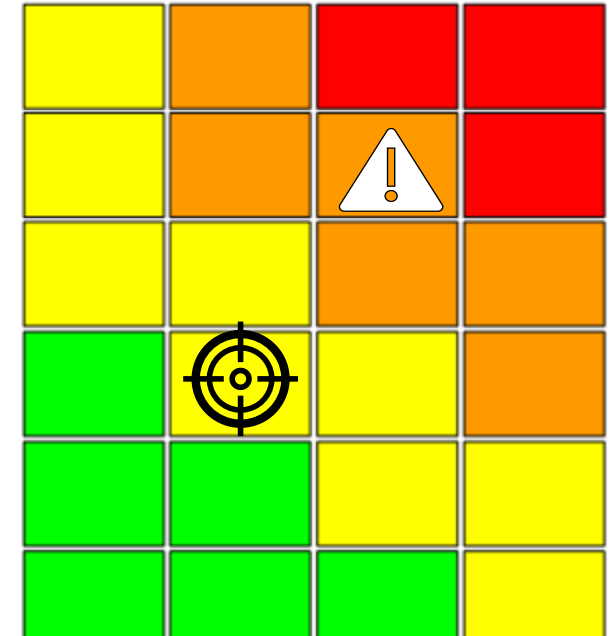
Owner

Change

PB

HW

New



Warning Current Risk Target Risk on Target

Mitigating Action

Care Leaver Target Operating Model Project: Aim is to create accommodation costing no more than the £270 per week per young person provided by the government including: Supported Accommodation; Affordable and Local Semi-Independent Accommodation; Houses of Multiple Occupancy for those with unresolved status.

Owner

Date

Status

HW

March 25

On track

Project to Maximise Culturally-Suitable In-House Fostering for UASC.

HW

September 24

On track

Likelihood

123

| Score | Level | | | | | Description |
|-------|-------------|--|----------|-----------------------------|----------------------------|---|
| 6 | Very High | Certain. | >95% | Annually or more frequently | >1 in 10 times | An event that has a 50% chance of occurring in the next 6 months or has happened in the last year. This event has occurred at other local authorities |
| 5 | High | Almost Certain. The risk will materialise in most circumstances. | 80 – 94% | 3 years + | >1 in 10 – 50 times | An event that has a 50% chance of occurring in the next year or has happened in the past two years. |
| 4 | Significant | The risk will probably materialise at least once. | 50 – 79% | 7 years + | >1 in 10 – 100 times | An event that has a 50% chance of occurring in the next 2 years or has happened in the past 5 years. |
| 3 | Moderate | Possible the risk might materialise at some time. | 49 – 20% | 20 years + | >1 in 100 – 1,000 times | An event that has a 50% chance of occurring in the next 5 or has happened in the past 7 years. |
| 2 | Low | The risk will materialise only in exceptional circumstances. | 5 – 19% | 30 years + | >1 in 1,000 – 10,000 times | An event that has a 50% chance of occurring in the next 10 year or has happened in the past 15 years. |

Impact

| Score | Level | | Description |
|-------|------------|---|--|
| 8 | Critical | Critical impact on the achievement of objectives and overall performance. High impact on costs and / or reputation. Very difficult and possibly long term to recover. | <ul style="list-style-type: none"> Unable to function without aid of Government or other external Agency Inability to fulfil obligations Medium - long term damage to service capability Severe financial loss – supplementary estimate needed which will have a critical impact on the council’s financial plan and resources are unlikely to be available. Death Adverse national publicity – highly damaging, severe loss of public confidence. Litigation certain and difficult to defend Breaches of law punishable by imprisonment |
| 6 | Major | Major impact on costs and objectives. Serious impact on output and / or quality and reputation. Medium to long term effect and expensive to recover. | <ul style="list-style-type: none"> Significant impact on service objectives Short – medium term impairment to service capability Major financial loss - supplementary estimate needed which will have a major impact on the council’s financial plan Extensive injuries, major permanent harm, long term sick Major adverse local publicity, major loss of confidence Litigation likely and may be difficult to defend Breaches of law punishable by fines or possible imprisonment |
| 4 | Marginal | Significant waste of time and resources. Impact on operational efficient, output and quality. Medium term effect which may be expensive to recover. | <ul style="list-style-type: none"> Service objectives partially achievable Short term disruption to service capability Significant financial loss - supplementary estimate needed which will have an impact on the council’s financial Medical treatment require, semi- permanent harm up to 1 year Some adverse publicity, need careful public relations High potential for complaint, litigation possible. Breaches of law punishable by fines only |
| 2 | Negligible | Minimal loss, delay, inconvenience or interruption. Short to medium term affect. | <ul style="list-style-type: none"> Minor impact on service objectives No significant disruption to service capability Moderate financial loss – can be accommodated First aid treatment, non-permanent harm up to 1 month Some public embarrassment, no damage to reputation May result in complaints / litigation Breaches of regulations / standards |

Agenda Item 33.

| | |
|-----------------------------|---|
| TITLE | Annual Governance Statement 2022/23 - Update |
| FOR CONSIDERATION BY | Audit Committee on 27 September 2023 |
| WARD | None Specific |
| LEAD OFFICER | Chief Executive - Susan Parsonage |

OUTCOME / BENEFITS TO THE COMMUNITY

Provides assurance on the Council's governance arrangements including areas where improvement has been identified.

RECOMMENDATION

That the Audit Committee note the progress on the actions identified in the Annual Governance Statement 202/23.

SUMMARY OF REPORT

At its meeting on 7 June 2023, the Committee reviewed the draft Annual Governance Statement (AGS) and considered whether it properly reflected the risk environment and supporting assurances, including the head of internal audit's annual opinion. The AGS concluded that there was good overall assurance of the Council's system of internal control and that the arrangements were fit for purpose in accordance with the governance framework.

In the spirit of continuous improvement and further strengthening governance arrangements, the AGS identified opportunities for further improvement in the following ten areas:

1. Constitution
2. Community Vision
3. Capital Programme
4. Accounts
5. Workforce
6. Member Development and Training
7. Overview & Scrutiny
8. Financial Management
9. Annual Report
10. Audit Committee

The report provides detailed assurance of positive progress in each of the above areas including, for example, the signing of the 2020/21 Statement of Accounts, extensive work with partners and the broader community towards the target of delivering a Community Vision for the borough by summer 2024, and good progress as reported to Personnel Board on workforce initiatives.

The Audit Committee's own improvement plan is on course to be delivered to the agreed timetable with notable completed actions being the appointment of a second independent member of the Committee. A more detailed report on the Audit Committee action plan is due to be considered at the Committee's 7 February 2024 meeting.

Background

- 1.1 Good governance provides a framework to enable an authority to deliver outcomes for its residents and stakeholders, underpinned by appropriate controls and the management of risk. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, with sound and inclusive decision-making and clear accountability for the use of resources.
- 1.2 In order to achieve effective corporate governance, the Council has adopted a local code of corporate governance (the Code) which reflects guidance contained in the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. Full Council agreed the Code at its meeting of 21 July 2023.
- 1.3 The Code, which is set out in the Council's constitution, is built around seven underlying principles of good governance, and demonstrates how the Council's internal processes and governance framework support the delivery of those principles.
- 1.4 The Annual Governance Statement meets statutory requirements to report publicly on the extent to which the Council is complying with its own code of governance and includes:
 - How the effectiveness of governance arrangements has been monitored and evaluated in the year, and
 - Any planned changes and improvements in the coming period.
- 1.5 There is a strong link between governance and financial management, with a focus on sustainability, as the Council needs to recognise its responsibilities not just to its existing stakeholders but to understand the impact of current decisions and actions on future generations.

Analysis of Issues

- 1.6 With the number of high-profile governance failings in the sector it is more important than ever to demonstrate to the Council's stakeholders that it takes governance seriously. The Annual Governance Statement is a culmination of work through 2022/23 to ensure robust governance in the Council.
- 1.7 The latest position on the ten areas for improvement identified in the 2022/23 AGS is set out at Appendix A.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

| | How much will it Cost/ (Save) | Is there sufficient funding – if not quantify the Shortfall | Revenue or Capital? |
|-----------------------------------|-------------------------------|---|---------------------|
| Current Financial Year (Year 1) | £0 | Yes | Revenue |
| Next Financial Year (Year 2) | £0 | Yes | Revenue |
| Following Financial Year (Year 3) | £0 | Yes | Revenue |

Other financial information relevant to the Recommendation/Decision

None

Cross-Council Implications

Good governance is essential to the effective functioning of the Council. Tracking the implementation of the AGS action plan strengthens visibility around governance and should enable the Council to achieve its objectives.

Public Sector Equality Duty

Good governance supports the achievement of the Council's Equality Duties.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

Good governance enables accountability around achieving a carbon neutral Wokingham Borough by 2030

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

AGS 2022/23

Local Code of Corporate Governance

Contact Andrew Moulton, Paul Ohsan Ellis

Telephone No Tel: 07747 777298, Tel: 0118 974 6096

Service Governance

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paul.ohsan.ellis@wokingham.gov.uk

Appendix A

2022/23 Annual Governance Statement Action Plan
Status Report - September 2023

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| Ref | Area of Focus | Action | Who | Timescale | Status (September 2023) |
|-----|-------------------|--|--|------------|---|
| A.1 | Constitution | To undertake a comprehensive review of the Council's constitution. | Assistant Director Governance (Monitoring Officer) | March 2024 | The project is in place with the overall approach agreed by the Constitution Review Working Group (CRWG). All members have been invited to submit their views on the priorities for review and a public consultation is scheduled for the autumn. The Local Government Association (LGA) has provided options to the Council as to how they (and also the Centre for Governance & Scrutiny (CfGS)) can support/lead the work over the coming months to provide expert, best practice input. The timeline is challenging which may mean prioritisation of the most important areas for change. |
| C.1 | Community Vision | The Council will work with partners to develop a long-term vision for the Borough. | Assistant Director of HR & OD | July 2024 | The project in place with internal and external steering groups established. We are working with partners to develop brand for the work and set up involvement groups to gather feedback from multiple networks across the borough. A general 'catch all' survey is in development with partners and will be launched as part of gathering input from residents. The work is on track for July 2024. |
| C.2 | Capital Programme | To review approach to Capital Programme controls and management. | Assistant Director Finance (Deputy S151 Officer) | March 2024 | Work has commenced to review the approach, including through the officer "Gold Capital Controls" process and the Medium-Term Financial Plan (MTFP) bidding process for 2024/25. Detailed sessions with |

| | | | | | |
|-----|-------------------------------|---|--|------------|--|
| | | | | | departments have taken place in August 2023 and will continue through September. |
| C.3 | Accounts | To work with External Audit to progress the sign off of the Council's Accounts. | Assistant Director Finance (Deputy S151 Officer) | March 2024 | The 2020/21 accounts were signed-off on 21 July 2023. Work is progressing on the external audit of the 2021/22 accounts although it is anticipated that Pensions issues will likely again impact final timing. The Committee will be aware of the national intervention that may bring the account closure position up to date across Local Authorities. Consultation will take place in the following months. The Committee will continue to be updated on both the local position and national developments throughout the year. It is unlikely that, without the national intervention, the 2022/23 accounts will be signed off in a timely manner. |
| E.1 | Workforce | Deliver workforce organisational foundation programme. | Assistant Director HR & OD | March 2024 | The programme is on track. The People Strategy Principles have been approved by Personnel Board in July 2023 with the draft People Strategy due to be approved by Personnel Board by the end of the year. The HR Policy Review timetable is being progressed and is being reported to Personnel Board. |
| E.2 | Member Development & training | Continue progress on member development programme to attain LGA charter status. | Assistant Director Governance (Monitoring Officer) | May 2024 | Member training programme is in place for 2023/24. Further work is progressing in preparing the foundations for seeking LGA Charter Status but it is likely that this will be later in 2024/25. |
| F.1 | Overview & Scrutiny function | Implement recommendations of Centre for Governance & Scrutiny's review of | Assistant Director Governance (Monitoring Officer) | March 2024 | There is good progress on implementing the 20 recommendations from the Centre for Governance & Scrutiny report. There is a follow up visit planned by the Centre for November 2023 where the status of the recommendations will then be reported to the Overview & Scrutiny Management Committee. |

| | | | | | |
|-----|----------------------|--|--|----------------|---|
| | | current arrangements. | | | |
| F.2 | Financial Management | To deliver the actions in the Financial Management Improvement Plan. | Assistant Director Finance (Deputy S151 Officer) | March 2024 | The plan includes 18 actions to enhance financial management across the Council with a range of implementation dates. There are 8 actions that are due to implemented by the end of September 2023 – a verbal update on these will be provided in the meeting. The remaining ten actions remain on course. |
| G.1 | Annual Report | The Council will publish an Annual Report against the delivery of the Council Plan. | Assistant Director of HR & OD | March 2024 | A 2022/23 annual report has been drafted which is scheduled to be published in October 2023. |
| G.2 | Audit Committee | To deliver the Audit Committee improvement actions arising from its February 2023 review of effectiveness. | Assistant Director Governance (Monitoring Officer) | September 2024 | Of the 12 actions identified by the review 5 have been completed and the remaining actions are underway. A notable action completed is the appointment of a second independent member of the Committee. The actions around demonstrating compliance with the CIPFA Statement on the Role of Head of Internal Audit has been covered (at least in part) through the independent assessment of the internal audit function against the Public Sector Internal Audit Standards (PSIAS) to be reported to the Committee in September 2023. The review of the Audit Committee Effectiveness for 2023/24 will be reported to the 7 February 2024 meeting and include a detailed review of all the actions identified for this year. |

| DATE OF MEETING | ITEM No. | ITEM DESCRIPTION AND PURPOSE | RESPONSIBLE OFFICER |
|-------------------------------|----------|--|---|
| Wednesday 29 November 2023 | 1. | Corporate Risk Register Update | Graham Ebers, Deputy Chief Executive |
| | 2. | 2023/24 Internal Audit and Investigation Quarter 2 Progress Report | Catherine Hickman, Head of Internal Audit and Investigation Service |
| | 3. | Anti Fraud and Anti Corruption Policies Refresh | Catherine Hickman, Head of Internal Audit and Investigation Service |
| | 4. | Annual Governance Statement | Graham Ebers, Deputy Chief Executive |
| | 5. | Statement of Accounts (or February) | Graham Ebers, Deputy Chief Executive |
| | 6. | Draft Audit Results Report for 2021/22 - <i>summarise the outcome of our audit testing, including any work left to complete.</i> | EY |
| | 7. | CIPFA code of practice – improvement plan update | Graham Ebers, Deputy Chief Executive |

| DATE OF MEETING | ITEM No. | ITEM DESCRIPTION AND PURPOSE | RESPONSIBLE OFFICER |
|---------------------------|----------|---|---|
| Wednesday 7 February 2024 | 1. | Corporate Risk Register Update | Graham Ebers, Deputy Chief Executive |
| | 2. | 2023/24 Internal Audit and Investigation Quarter 3 Progress Report | Catherine Hickman, Head of Internal Audit and Investigation Service |
| | 3. | 2024/25 Draft Internal Audit and Investigation Plan, Strategy and Internal Audit Charter | Catherine Hickman, Head of Internal Audit and Investigation Service |
| | 4. | 2021/22 Auditor's Annual Report - <i>summarise the completion of the 2021/22 audit, including our commentary on the value for money proper arrangements</i> | EY |
| | 5. | 2022/23 Audit Planning Report - <i>outline the audit strategy, including the identified significant risks, for the 2022/23 audit of accounts</i> | EY |
| | 6. | Council Assurance Map- <i>To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.</i> | Graham Ebers, Deputy Chief Executive |