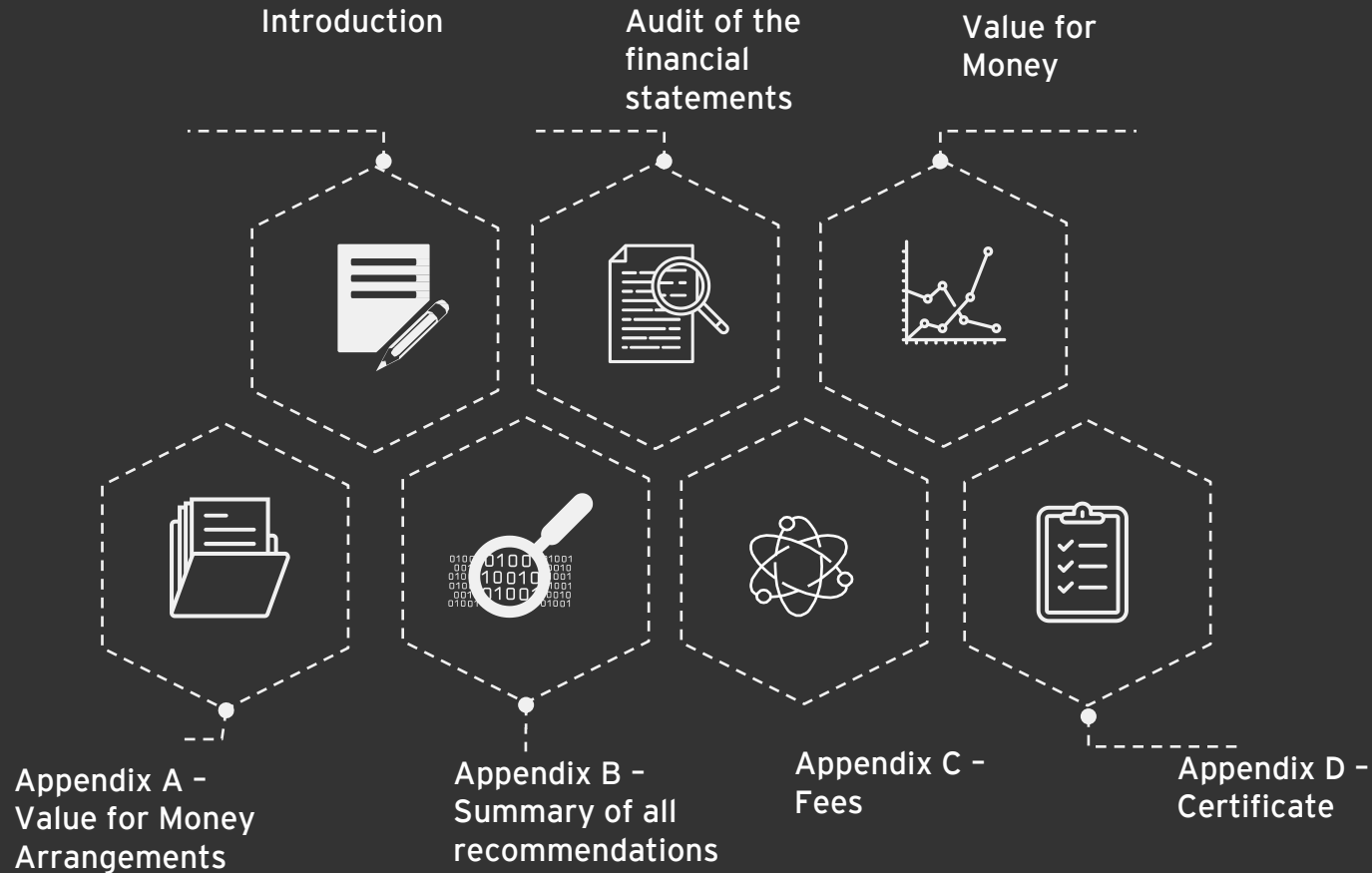


**Wokingham Borough
Council
Auditor's Annual
Report**

📅 Year ended 31 March 2021

Contents

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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 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.

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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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