



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **TUESDAY 23 JUNE 2015 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Andy Couldrick', written in a cursive style.

Andy Couldrick
Chief Executive
Published on 15 June 2015

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Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Guy Grandison (Chairman)

Paul Swaddle
(Vice-Chairman)

David Lee

Beth Rowland

Chris Smith

Rob Stanton

ITEM NO.	WARD	SUBJECT	PAGE NO.
1.		APOLOGIES To receive any apologies for absence	
2.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 10 February 2015.	7 - 12
3.		DECLARATION OF INTEREST To receive any declarations of interest	
4.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. 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	
5.		MEMBER QUESTION TIME To answer any member questions	
5..1		Prue Bray asked the Chairman of the Audit Committee the following question Councillor Norman Jorgensen is Chair of the Corporate Services Overview and Scrutiny committee which is tasked with scrutinising the actions of the Executive. His wife Councillor Pauline Jorgensen is a member of that Executive. What action will the Audit Committee take to resolve this conflict of interest?	

5..2

Lindsay Ferris has asked the Chairman of the Audit Committee the following question

It is with concern that I note that the information on the Council's website for Contractual Remuneration of councillor Non-Executive directors of Council owned companies is not being kept up to date. I asked questions on this matter at the Executive Meetings in September and October 2014 and again in January this year. The Leader of the Council agreed that information on the pay and appointments of councillor non-executive directors of the council owned companies would be kept up to date. It has not been done. Why not?

6.	None Specific	AUDIT PLAN EXTERNAL AUDIT To consider the Wokingham Borough Council Year ending 31 March 2015 Audit Plan.	13 - 34
7.	None Specific	TREASURY MANAGEMENT ANNUAL REPORT 2014-15 To consider the Treasury Management Annual Report 2014-15.	35 - 68
8.	None Specific	RETROSPECTIVE PURCHASE ORDERS To receive an update on Retrospective Purchase Orders.	69 - 76
9.	None Specific	ANNUAL GOVERNANCE STATEMENT 2014-2015 To consider the Annual Governance Statement 2014-2015.	77 - 86
10.	None Specific	SHARED SERVICE INTERNAL AUDIT AND INVESTIGATION ANNUAL REPORT 2014/15 To consider the Shared Service Internal Audit and Investigation Annual Report 2014/15.	87 - 100
11.	None Specific	CORPORATE RISK REGISTER REFRESH - MAY 2015 To consider the Corporate Risk Register Refresh – May 2015.	101 - 112
12.	None Specific	PROGRESS REPORT ON SHARED AUDIT & INVESTIGATION SERVICE To receive a Progress Report on the Shared Audit and Investigation Service.	113 - 114
13.	None Specific	FORWARD PROGRAMME 2015/16 To receive the Forward Programme 2015/16.	115 - 116

14.

**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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Agenda Item 2.

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY 10 FEBRUARY 2015 FROM 7PM TO 7.55PM

Present:- Guy Grandison (Chairman), Alistair Auty (Vice Chairman), Beth Rowland, Chris Smith and Paul Swaddle

Also present:-

<i>Maria Grindley</i>	<i>Audit Director, Ernst & Young</i>
<i>Catherine Hickman</i>	<i>Service Manager, Shared Audit and Investigations Service</i>
<i>Martin Jones</i>	<i>Planning Accountant – Corporate Finance</i>
<i>Paul Ohsan-Ellis</i>	<i>Team Manager - Internal Audit</i>
<i>Stuart Rowbotham</i>	<i>Director of Health and Wellbeing</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Rob Stubbs</i>	<i>Head of Finance</i>

PART I

43. MINUTES

The Minutes of the meeting of the Committee held on 9 December 2014 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

- Addition of Councillor Rowland to those who had given her apologies.

44. APOLOGIES

An apology for absence was submitted from Councillor Stanton.

45. DECLARATION OF INTEREST

Councillor Auty declared a Personal Interest on the grounds that he was a Non-Executive Director of Wokingham Housing Limited.

46. PUBLIC QUESTION TIME

There were no public questions received.

47. MEMBER QUESTION TIME

There were no Member questions received.

48. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2013/14

The Audit Director, Ernst & Young presented the Certification of Claims and Returns – Annual Report 2013/14.

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

- In 2013/14, Ernst and Young certified two claims with a total value of £24.4m, compared to four claims in 2012/13. None of the claims subject to certification were qualified.
- It was noted that the actual fee payable of £10,984 was higher than the estimated amount of £8,000 approved in February 2014 and reflected extra work required on the housing benefits subsidy claim, and also on the pooling of housing capital receipts return due to minor errors in each return.
- In response to a Member question regarding a breakdown of fees the Audit Director, Ernst & Young indicated that the Audit Commission set a fee to undertake work. If

the cost of the work was higher an extended fee could be requested and if it was lower a refund could be provided.

RESOLVED That

- 1) Ernst and Young's Grants Audit Annual Certification Report 2013/14 be noted;
- 2) the proposed fee of £12,140 for the certification of grant claims and returns for 2014/15 be approved.

49. CERTIFICATION OF CLAIMS AND RETURNS - TEACHERS PENSIONS RETURN

The Committee received the certification of claims and returns – teachers pensions return.

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

- From 2013/14 onwards the Teachers' Pension return was no longer subject to certification under the Audit Commission arrangements.
- Each education authority was required to make their own arrangements to meet the certification requirements for the Teachers Pensions return, and quotes were obtained for the work as required under the Council's Financial Regulations. The audit had been awarded to a Wokingham based audit practice, Rice Associates, for a fee of £800. The auditor had awarded the Council a qualified conclusion and had not raised any material issues but did identify that the Council should have more rigorous controls to evidence the correct deduction of pension payments by those schools which have responsibility for their own payroll.
- Councillor Rowland asked what the arrangements were for those schools that had their own payrolls. The Head of Finance confirmed that the Council had access to their information.

RESOLVED That the Audit Certification Report 2013/14 for the Teachers' Pension Return be noted.

50. TREASURY MANAGEMENT STRATEGY 2015/16

The Planning Accountant – Corporate Finance presented the Treasury Management Strategy 2015/16.

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

- Members were informed that Appendix A, which had been previously circulated, had been amended due to a change in the capital programme, with one scheme having moved to the next financial year.
- The Treasury Management Strategy was made up of the Capital Prudential Indicators, the Borrowing Strategy and the Annual Investment Strategy.
- The capital expenditure for 2015/16 was estimated at £95.8m. This included an estimated carry forward from 2014/15 of £41.2m.
- Capita Asset Services, the Council's treasury advisors, had forecasted no increase in interest rates until at least December 2015. Internal borrowing would be used.
- Councillor Grandison questioned how frequently officers had contact the Council's treasury advisors and was informed that there was a daily treasury management bulletin and new flash and that officers were in regular contact with advisors.

RESOLVED That the Committee recommends to Council for approval the following:

- 1) The Capital Prudential indicators, 2015/16-2017/18;
- 2) The borrowing strategy 2015/16;
- 3) The annual Investment strategy 2015/16; and
- 4) The Treasury Indicators: limits to borrowing activity 2015/16.

51. RETROSPECTIVE PURCHASE ORDERS

The Head of Finance provided an update on retrospective purchase orders.

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

- It was not currently possible to provide an accurate picture of the retrospective purchase orders. Data cleansing was ongoing and it was hoped that this would be completed by the end of the financial year.
- In terms of the Internal Audit recommendations, work to review the Finance and Contract Regulations was beginning and changes would be discussed with the Constitution Review Working Group in May.
- High user groups were receiving training on purchase orders.
- Financial business partners were working to reduce incidents of retrospective purchase orders.
- The Head of Finance commented that he hoped that he would be able to report more fully at the first meeting of the next municipal year.
- It was noted that the transfer to WISER had taken five months. The Head of Finance commented that services had had to re-raise purchase orders which had not transferred over from the old system. Nevertheless, the transactions side was working well. Members agreed that this timescale was not unacceptable.
- Councillor Swaddle questioned the effectiveness of budgetary controls. It was noted that there was triangulation against spending profiles.
- The Director of Health and Wellbeing commented that he was confident that staff were aware of the need to create purchase orders and that data would look better in Q1.
- Members questioned when the Q1 data would be available. The Head of Finance stated that he would share the data regarding retrospective purchase orders for the first month with the Chairman. Councillor Grandison proposed that should there be particular areas where retrospective purchase orders continued to be issued, the relevant Director be invited to the next Audit Committee meeting, to explain the reasons for this, to Members.
- The Committee agreed that it wished to see the information regarding the number of retrospective purchase orders for the first two months of the financial year, at its next Committee meeting.
- Councillor Grandison questioned what lessons had been learnt and if the Council was still in a period of extended support with WISER. The Head of Finance commented that lessons learnt would be picked up as part of the lessons learnt review. There were currently three issues outstanding but it was hoped that the full transfer would take place by the end of the month. Members were reminded that the Council would keep expertise on site.

RESOLVED That

- 1) the update on retrospective purchase orders be noted.
- 2) information regarding the number of retrospective purchase orders for the first two months of the financial year, be provided at the next Committee meeting.

52. CORPORATE RISK REGISTER REFRESH – JANUARY 2015

The Director of Health and Wellbeing presented the Corporate Risk Register Refresh – January 2015.

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

- Risk 20 - *Risk that the Council does not have buy-in to successfully implement the corporate vision and priorities* had been updated to reflect the work being done to develop a monitoring framework for the delivery of the Council Plan.
- Risk 28 – *Risk that the Council is unable to cope with the increased burdens associated with the Social Care Act* had been updated to reflect the plans to mitigate the financial impacts.
- The Director of Health and Wellbeing explained Risk 28 in detail. Councillor Rowland asked why it was considered to be a medium risk rather than a high risk. The Director of Health and Wellbeing indicated that a plan had been agreed with health partners for the first year. It was difficult to predict beyond the first year at present and the Department of Health would be reviewing the Care Act settlement in future. It was possible that the risk would need to be updated in future.
- It was noted that the Executive lead member of Risk 12 – *Risk that essential transport infrastructure needs a significant short term investment for repairs* was Councillor Kaiser.
- Councillor Grandison queried whether Risk 27 - *Risk of failure of local health and/or social care system such that residents receive inadequate or unsafe response* and Risk 28 would eventually become one risk and was informed that they would not.

RESOLVED That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register be considered and noted.

53. INTERNAL AUDIT AND INVESTIGATIONS PLAN 2015/16

Members examined the Internal Audit and Investigations Plan 2015/16.

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

- The planned approach was to prioritise high risk areas of the Council's operation.
- The Plan was aligned to the Council's Corporate Risk Register and provided coverage over the top eight risks (rated as high risk areas). It also provided coverage over areas of key strategic, reputational and financial risk.
- The Plan was flexible and any changes would be reported to the Audit Committee.
- The overall planning framework incorporated a core plan of 734 audit days. This was a reduction from 795 total audit days. The work that the team was undertaking was being streamlined and efficiencies made.
- Councillor Grandison noted that an audit of the 'Council wide approach to Temporary Staff (use of corporate agency contract)' had been included on the list of optional audits and requested that this be taken forward in future. He commented that this was perhaps a future joint piece of work with the Royal Borough of Windsor and Maidenhead.
- The Audit Director, Ernst & Young highlighted that the changed financial standards meant that external audit could not direct or mandate the work of internal audit. Therefore the first bullet p71 of the agenda was therefore misleading in that the work was not required by external audit and did not impact on audit fees. Likewise the use of "mandatory" to describe the types of audit on p73 of the agenda was not accurate

if it referred to External Audit requirements. However the Council may want to receive assurance around the key financial controls for its own purposes.

- Members agreed that the Plan demonstrated the Council's commitment to good governance.

RESOLVED That

- 1) the proposed Internal Audit and Investigations Plan for 2015/16 be approved.
- 2) decision to not complete any of the reviews that comprise the Optional Plan be approved.

54. INTERNAL AUDIT AND INVESTIGATIONS Q3 PROGRESS REPORT 2014/15

The Service Manager, Shared Audit and Investigation Service presented the Internal Audit and Investigations Q3 Progress Report 2014/15. The Internal Audit and Investigations Progress Report detailed the work of the team from the 1 April 2014 and 31 December 2014.

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

- The team was working to complete both the Wokingham and Royal Borough of Windsor and Maidenhead audit plans.
- During Q3 one full report was finalised. (Benefits) and several reports had been finalised subsequent to the issue of this progress report (Public Health, S106/CIL, Council Tax and Fixed Asset Register).
- No limited assurances had been issued during this period.
- With regards to KPI 4 – 'Delivery of Internal Audit Days', it was noted that this was below target. There had been a significant carry forward of work from the 2013/14 financial year amounting to 128 days. Therefore Internal Audit had been below target at the end of Q2. Some agency staff had been secured and some Royal Borough of Windsor and Maidenhead resource redeployed to assist in the delivery of the Internal Audit Plan. Performance against this KPI was improving.
- Progress against KPI 6 – 'Value of Proactive Work' was below target due to resourcing issues and a number of investigations were due to come to fruition.
- The Head of Governance and Improvement Services would provide an update on the Shared Service at the next Committee meeting.
- Members were informed that a Senior Auditor, Senior Investigation Officer and Investigation Officer had recently been appointed bringing the teams to full compliment.
- In response to a query from Councillor Auty, it was clarified that KPI 5 – 'Benefit Overpayments' would no longer be reported to the Committee because from 1st November 2014, benefit investigations had transferred to the Single Fraud Investigation Service. KPI 7 – 'Sanctions Applied' would also not be reported to the Committee in future, for the same reason.
- The Committee discussed KPI 2 – 'Improvements to the Control Environment.' The Team Manager – Internal Audit explained that Internal Audit requested an update from the relevant manager on the implementation of high and medium recommendations. Evidence of implementation was sought.
- As part of the lean review work for Audit and Investigations, Members were asked for their views on future KPIs and their requirements on the content of the regular progress reports being presented to Audit Committee.

- Changes would be made to the way in which feedback was sought following audits as the response rate to post audit questionnaires had been low.

RESOLVED That the Internal Audit and Investigations Progress Report be noted.

These are the Minutes of a Meeting of the Audit Committee

If you need help in understanding this document or if you would like a copy of it in large print please contact one of our Team Support Officers.

Agenda Item 6.

TITLE	Audit Plan External Audit
FOR CONSIDERATION BY	Audit Committee on 23 June 2015
WARD	None Specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

The plan details the external audit work Ernst & Young proposes to undertake for the audit of financial statements for 2014/15. It also outlines the focus of Ernst & Young's work that needs to be carried out to enable a Value for Money Conclusion to be reached.

The work of Ernst & Young provides external validation of the Council's financial statements and Value for Money ensuring they provide a fair and accurate representation to stakeholders, including the Audit Committee.

RECOMMENDATION

That the Audit Committee approves the Ernst & Young External Audit Plan for 2014/15.

SUMMARY OF REPORT

The External Audit Plan provides information to the Audit Committee on the responsibilities of Ernst & Young, the audit approach they intend to adopt, their testing strategy and a timetable of their work and reporting deadlines.

Background

External Audit is a key governance pillar and provides assurance over the accuracy of the council's financial position.

Analysis of Issues

The audit committee should consider if the Audit Plan provides sufficient coverage of the key financial risks to the accuracy and reliability of the council's statement of accounts and Value for Money statement.

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	N/A	N/A	N/A

Year (Year 1)			
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

Cross-Council Implications
N/A

Reasons for considering the report in Part 2
None

List of Background Papers
Accounts and Audit Regulations 2011 apply

Contact Catherine Hickman	Service Shared Audit and Investigation Service
Telephone No 07917265742	Email Catherine.Hickman@wokingham.gov.uk
Date 11 June 2015	Version No. v1

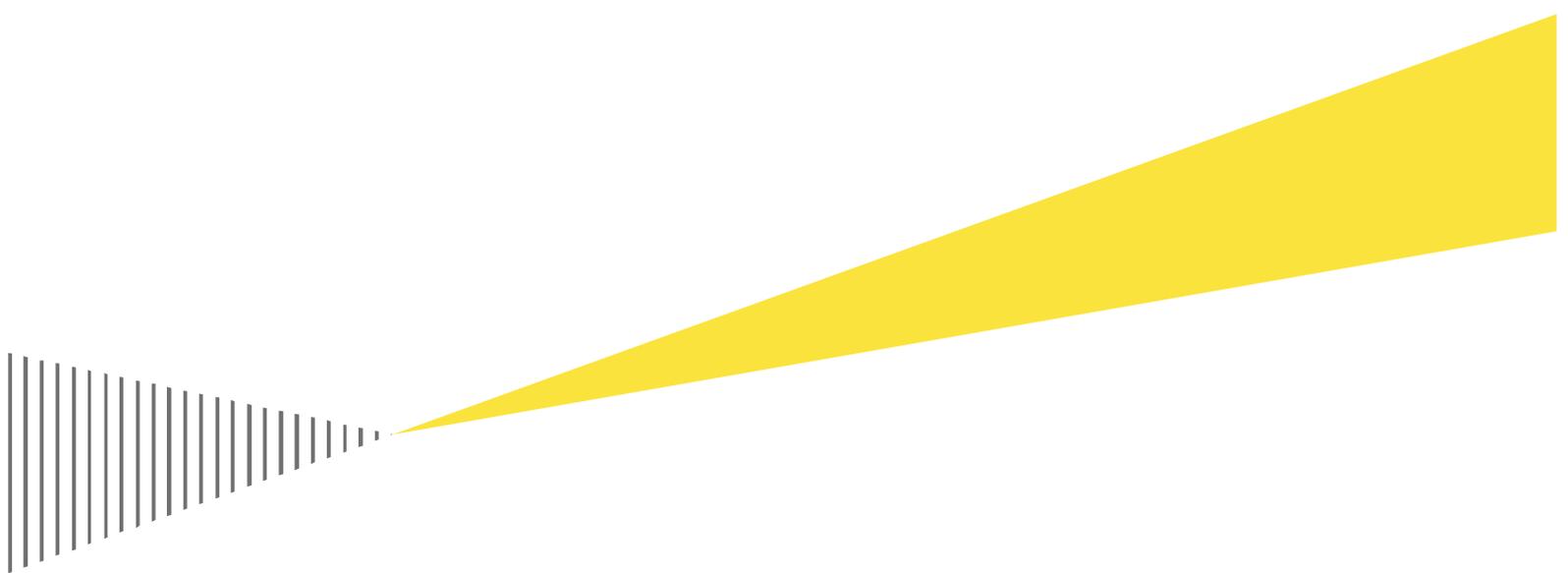
Wokingham Borough Council

Year ending 31 March 2015

Audit Plan

12 May 2015

Ernst & Young LLP



Councillor Guy Grandison
Audit Committee Chair
Wokingham Borough Council
Civic Offices
Shute End
Wokingham
RG40 1BN

12 May 2015

Dear Councillor Grandison

Audit Plan for the 2014/15 financial year

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2014-15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you at the next meeting of the Audit Committee on 23 June 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Maria Grindley
Audit Director
For and behalf of Ernst & Young LLP
Enc

Contents

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In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission’s website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Wokingham Borough Council give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

At this stage, we do not feel that the overall level of risk in relation to the audit of your financial statements or in relation to our value for money conclusion is significantly different from the previous year.

We have identified a significant risk in relation to our audit of your financial statements, this is the risk of management override.

This significant risk is discussed further in part three of this plan. We provide more detail on the above areas including our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to 'those charged with governance' scheduled for delivery in September 2015.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. Our materiality figure is determined by reference to your gross revenue expenditure on services as we believe this is the measure that is most important to users of the financial statements themselves.

We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

Where possible we will seek to rely on the controls in your systems; therefore reducing the year-end testing required.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit wherever possible. There is a good working arrangement between Internal Audit and EY. We regularly discuss audit coverage and the issues arising from our respective audit work.

Key changes to our team

Adam Swain is the Audit Manager for the 2014-15 audit. Adam led the previous year's audit and has extensive experience and knowledge of the sector and your Council. Adam is supported by a new Lead Executive, Sanjay Sampat who also has strong sector knowledge.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Wokingham Borough Council for 2014-15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ securing financial resilience; and
- ▶ challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

In line with the Code of Audit Practice our work on this area comprises:

- ▶ reviewing your annual governance statement;
- ▶ reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our audit responsibilities; and
- ▶ undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

Further detail is included in section 4 of this Audit Plan.

Whole of Government Accounts

We undertake this work on behalf of the National Audit Office and in accordance with their instructions to component auditors.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014-15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014-15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 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. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Wokingham Borough Council for 2014-15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014-15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

At the date of this report we have not identified any significant risks for our value for money conclusion. We have identified the following area of focus for audit work:

Other value for money conclusion risk	Impacts arrangements for securing	Our audit approach
Managing Finances		
The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represents a significant challenge over the medium term.	Economy, efficiency and effectiveness. Financial resilience.	Our approach will focus on a critical review of the Council's Medium Term Financial Plan.

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the 'Code') our principal objectives are to review and report on, the Council's:

- ▶ Financial statements; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

i Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

Our approach is to assess the Council's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely on the work of internal audit to confirm what has been documented in terms of processes and procedures. We will also consider what was tested and their results.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will develop a programme to test controls where appropriate:

- ▶ Housing benefits;
- ▶ Council Tax; and

- ▶ Non Domestic Rates.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will consider the findings from their reports, together with reports from any other work completed in the year, in our detailed audit plan, where issues are raised that could have an impact on the year-end financial statements.

Use of experts

In producing the financial statements, management will place reliance on the work undertaken by a small number of experts, we anticipate being able to undertake sufficient procedures such that we will be able to place reliance on the work undertaken by management's experts.

We also anticipate relying on the work of the experts commissioned by the Audit Commission in respect of the work undertaken by the pension scheme actuary for the Berkshire Pension Fund.

We will utilise specialist EY resource, as necessary, to help us to form a view on any material judgments made in the financial statements.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and

- ▶ Reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

5.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £6.585m based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £329k to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

5.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Wokingham Borough Council is £140,822.

5.5 Your audit team

The engagement team is led by Maria Grindley, Director, who has significant local government experience. Maria is supported by Adam Swain, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Director of Finance and Resources.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2014-15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to Members of the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	February	April 2014	Audit Fee letter
Risk assessment and setting of scopes	March - April	June	Audit Plan
Testing routine processes and controls	March – April	June	Progress Report (if required)
Year-end audit	August September	-	
Completion of audit	September	September	Report to those charged with governance via the Audit Results Report. Audit report (including our opinion on the financial statements; and overall value for money conclusion). Audit completion certificate. Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October	December	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

6. Independence

6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;
- ▶ The overall assessment of threats and safeguards; and
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that we are independent;
- ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and
- ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed analysed in appropriate categories.

6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, the audit engagement director and the audit engagement team have not been compromised.

6.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014-15 £	Out-turn 2013-14 £	Published fee 2013-14 £	Explanation
Opinion Audit and VFM Conclusion	140,822	140,822	139,752	Additional amount to cover the additional work relating to business rates following the end to the NNDR certification which previously supported the opinion
Certification of claims and returns ¹	12,140	10,984	6,917	Increased fee to reflect additional work on the housing benefit claim and the certification required for the CFB-06 return which was not included in the scale fee
Non-audit work	TBC	21,000	0	

All fees exclude VAT.

Non-audit work

We provided financial analysis in respect of its on-going discussions on with FCC Environment (previously named Waste Recycling Group) to Wokingham, Bracknell Forest & Reading Councils.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal where appropriate;
- ▶ The Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Wokingham Housing Limited and Wokingham Enterprises Limited's financial transactions are not material to the group financial statements of the Council;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan 23 June 2015</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>▶ Report to those charged with governance 28 September 2015</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<p>▶ Report to those charged with governance 28 September 2015</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>▶ Report to those charged with governance 28 September 2015</p>
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>▶ Report to those charged with governance 28 September 2015</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance 28 September 2015</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<p>▶ Report to those charged with governance 28 September 2015</p>

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan 23 June 2015 ▶ Report to those charged with governance 28 September 2015
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance 28 September 2015
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance 28 September 2015
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan 23 June 2015 ▶ Report to those charged with governance 28 September 2015
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<ul style="list-style-type: none"> ▶ Audit Plan 23 June 2015
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Annual Report to those charged with governance summarising grant certification 28 September 2015

Appendix C Detailed Scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the EY audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ Specific scope: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the EY audit team.
- ▶ Limited Scope: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk-based, and the following is therefore provided for your information only.

For 2014-15, we have determined that the nature and extent of financial transactions undertaken by the component entities are unlikely to be significant to the Council's group financial statements and as such these are considered to be limited scope audits.

Our approach will focus on reviewing the audited financial statement of the component entities and auditor's board report. Additionally we will undertake testing of the consolidation of the components into the Wokingham Borough Council Group accounts.

Additionally we will consider the governance arrangements in relation to change in the group structure that took place in 2014-15.

EY | Assurance | Tax | Transactions | Advisory

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Agenda Item 7.

TITLE	Treasury Management Annual Report 2014-15
FOR CONSIDERATION BY	Audit Committee on 23rd June 2015
WARD	None specific
DIRECTOR	Graham Ebers, Director Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

RECOMMENDATION

The Audit Committee is asked to note:

- 1) The treasury management annual report for 2014/2015; and
- 2) The actual 2014/2015 prudential indicators within the report.

SUMMARY OF REPORT

Treasury Management is the management of the Council's investments and cash flows, its banking, money market and debt transactions together with the effective Control of the risks associated with those activities.

Background

The 'Treasury Management Annual Report' is a requirement of the Council's reporting procedures. It covers the treasury activity during 2014/2015 and the actual Prudential Indicators for 2014/15.

The report highlights the Council's treasury position as at 31 March 2015, sets out the treasury management decisions taken during 2014/15 and shows that the council has complied with its strategy and the prudential indicators that were set in February 2014. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are found in Appendix B.

Other prudential and treasury indicators are to be found in the main body of this report (Appendix A). The Director of Finance and Resources confirms that no new external borrowing has been undertaken in 2014/15 and the statutory borrowing limit (the authorised limit), was not breached during the year.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

As at 31st March 2015 the Non- HRA external debt was £46.6m
The HRA External Debt as at 31st March 2015 was £85.0m
The HRA has an internal loan of £8.9m from the council general fund.

During a fair valuation (completed by Capita Asset Services) our debt portfolio was valued at £163.6m compared to the actual principal of £131.6m. This means that if we were to refinance our loan portfolio it would cost an additional £31.96m. This demonstrates that the treasury function has achieved favourable rates and durations of loans when financing its capital programme.

In 2014/2015 the council took the opportunity to use internal funds for capital expenditure in recognition of the unfavourable gap between investment returns and borrowing costs (See below).

Investment rate 1.00% 1 year libor rate @ 31st March 2015
 Borrowing rate 1.32% 1 year PWLB loan rate @ 31st March 2015

Analysis of Issues

Prudential and Treasury Indicators		2014/15 Actual £'000
Capital expenditure		
	Non-HRA	38,774
	HRA	6,561
	Total	45,335
Capital Financing Requirement:		
	Non-HRA	102,540
	HRA	93,876
	Total	196,416
External debt		
	Non-HRA	46,584
	HRA	85,018
	Total	131,602
Investments		
	Fund Managers	169
	In house	278
	Wokingham Housing Limited	19
	Housing Revenue Account	399
	Total	865

The Director of Finance and Resources confirms that as at 31st March 2015 there have been no breaches of the treasury strategy during 2014-15.

List of Background Papers

The full Annual Treasury Management Report for 2014/15 is shown in Appendix A.
 The Councils Prudential and Treasury Indicators are shown in Appendix B
 The Councils Current Loan Portfolio Appendix C –(including HRA)

The Councils Counter Party Limits at the 31st March 2015 are shown in Appendix D
 The Councils Current Investments at the 31st March 2015 are shown in Appendix E
 A Glossary of Terms is shown in Appendix F.

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?
2014-15	£45.34m Expenditure £0.9m Return on Investments	Yes	Capital Revenue
Next Financial	N/A		
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision

None

Cross-Council Implications

Budgets and strategies are clearly monitored and do not impact on other Council services and priorities

Reasons for considering the report in Part 2

None

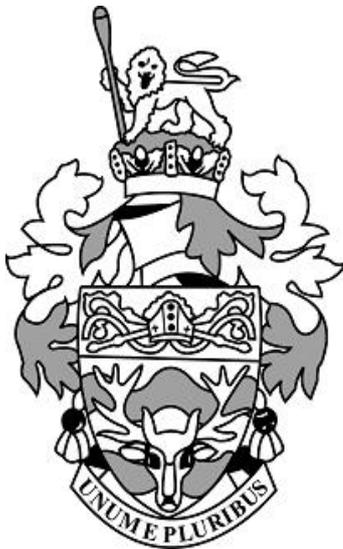
List of Background Papers

None

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Date 2 nd June 2015	Version No. 2

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WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Strategy Annual Treasury Management Report 2014-15

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Prudential and Treasury indicators	Appendix B
Loan Portfolio.....	Appendix C
Counterparty List	Appendix D
Investments Portfolio.....	Appendix E
Glossary of Terms	Appendix F

1) Introduction and Background

a) The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

b) During 2014/15 the Executive has received the following reports:

- The annual treasury strategy at its meeting on the 20th February 2014.
- A mid-year treasury update report at its meeting on the 29th January 2015.
- This report provides the annual review following the end of the year describing the activity compared to the strategy.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council.

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity;
- Detailed investment activity

2) The Council's Capital Expenditure and Financing 2014/15

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need or:
- Funded by borrowing (Internal or External).

The actual capital expenditure forms one of the required prudential indicators. The tables below show the actual capital expenditure.

General Fund	2013 /14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Capital expenditure	39,374	88,018	38,774
Financed in year	(33,822)	(55,790)	(28,218)
Unfinanced Capital Expenditure	5,552	32,228	10,556

Note: The variance between actual and budget was due to in the main, slippage in the additional places for schools programme, Wokingham Housing Limited and several large transport infrastructure schemes.

HRA	2013 /14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Capital expenditure	4,736	7,636	6,561
Financed in year	(4,736)	(7,636)	(6,561)
Unfinanced Capital Expenditure	0	0	0

Note: The variance between actual and budget was due to a large increase in the programme from previous years and capacity issues.

3) The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see tables on previous page), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- The application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2014/15 MRP Policy (as required by Communities and Local Government (CLG) Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 20th February 2014.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

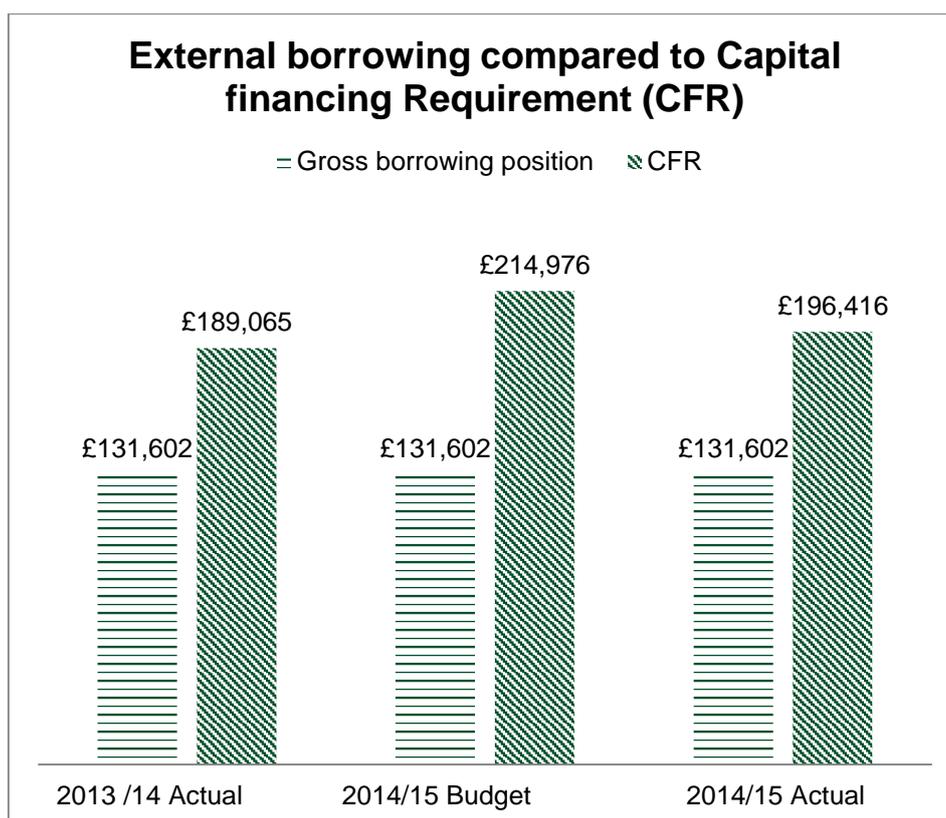
CFR: General Fund	2013 /14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Opening balance	93,134	99,506	95,255
Add unfinanced capital expenditure (as above)	5,551	24,950	10,556
Less MRP/VRP*	(3,200)	(3,141)	(3,024)
Less PFI & finance lease repayments	(230)	(215)	(247)
Closing balance	95,255	121,100	102,540

Note: The variance between actual and budget was due to good financial management with schemes which were originally planned to be funded by borrowing and have been funded by other sources of funding (S106, New grants) and slippage in large schemes.

CFR : HRA	2013 /14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Opening balance	95,952	93,876	93,876
Add unfinanced capital expenditure (as above)	0	0	0
Repayment of Loan Principle	(2,076)	0	0
Closing balance	93,876	93,876	93,876

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (plus the estimates of any additional capital financing requirement for the current and next two financial years). This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The bar chart below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.



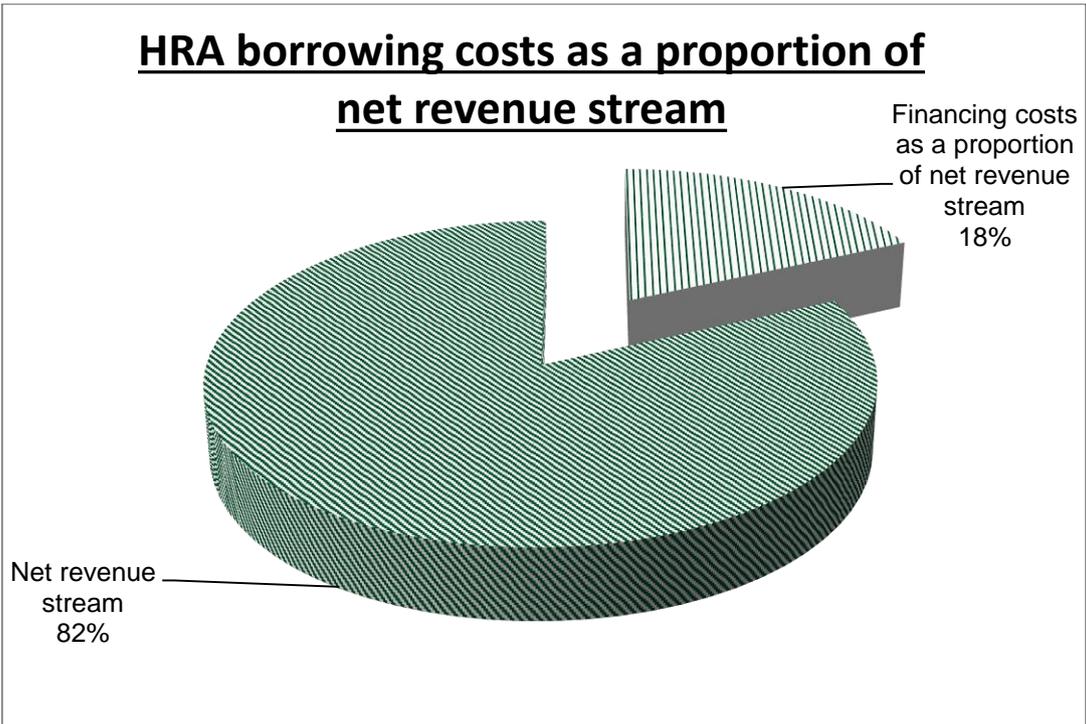
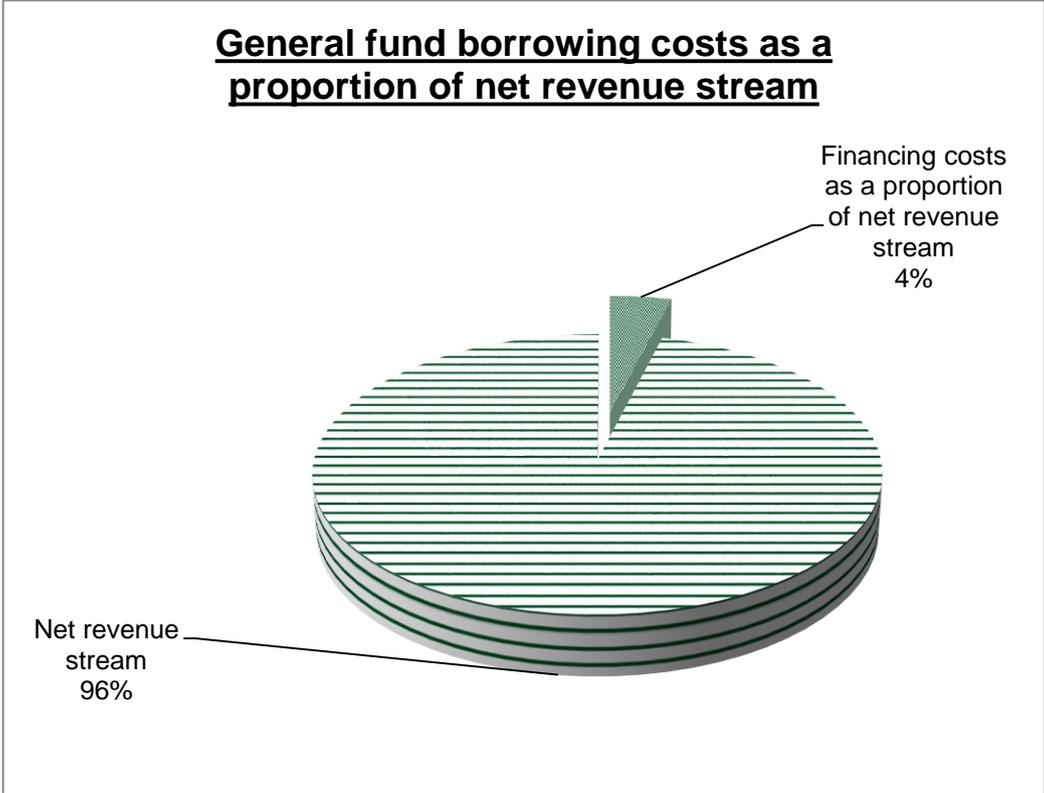
The authorised limit is the “affordable borrowing limit” required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit and operational boundary.

	2014/15 £'000	2014/15 Actual £'000	Variance £'000
Authorised limit	223,000	131,602	91,398
Operational boundary	200,000	131,602	68,398

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. (see tables below)



4) Treasury Position as at 31st March 2015

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

General fund	31 March 2014 Principal £'000	Rate/ Return %	31 March 2015 Principal £'000	Rate/ Return %
Fixed rate funding:	23,151		23,151	
-PWLB	23,031	4.49%	23,031	4.49%
-Market				
-Local Enterprise Partnership (interest free)	120	0.00%	120	0.00%
Variable rate funding:	23,433		23,433	
-PWLB	0			
-Market	23,433	4.28%	23,433	4.27%
Total debt	46,584		46,584	

HRA	31 March 2014 Principal £'000	Rate/ Return %	31 March 2015 Principal £'000	Rate/ Return %
Fixed rate funding:	84,451		84,451	
-PWLB	84,451	2.85%	84,451	2.85%
-Market				
Variable rate funding:	567		567	
-PWLB	0			
-Market	567	4.28%	567	4.28%
Total debt	85,018		85,018	

Average return on Investments (Cumulative)	1st Qtr %	2nd Qtr %	3rd Qtr %	4th Qtr %
Scottish Widows Investment Partnership	0.19%	0.44%	0.68%	0.82%
Royal London Asset Management	0.05%	0.18%	0.32%	0.44%
In-house*	0.91%	1.82%	2.74%	3.66%
Total (Weighted Average)	0.38%	0.81%	1.25%	1.64%

*This includes internal loans to the HRA and WBC companies (see appendix B)

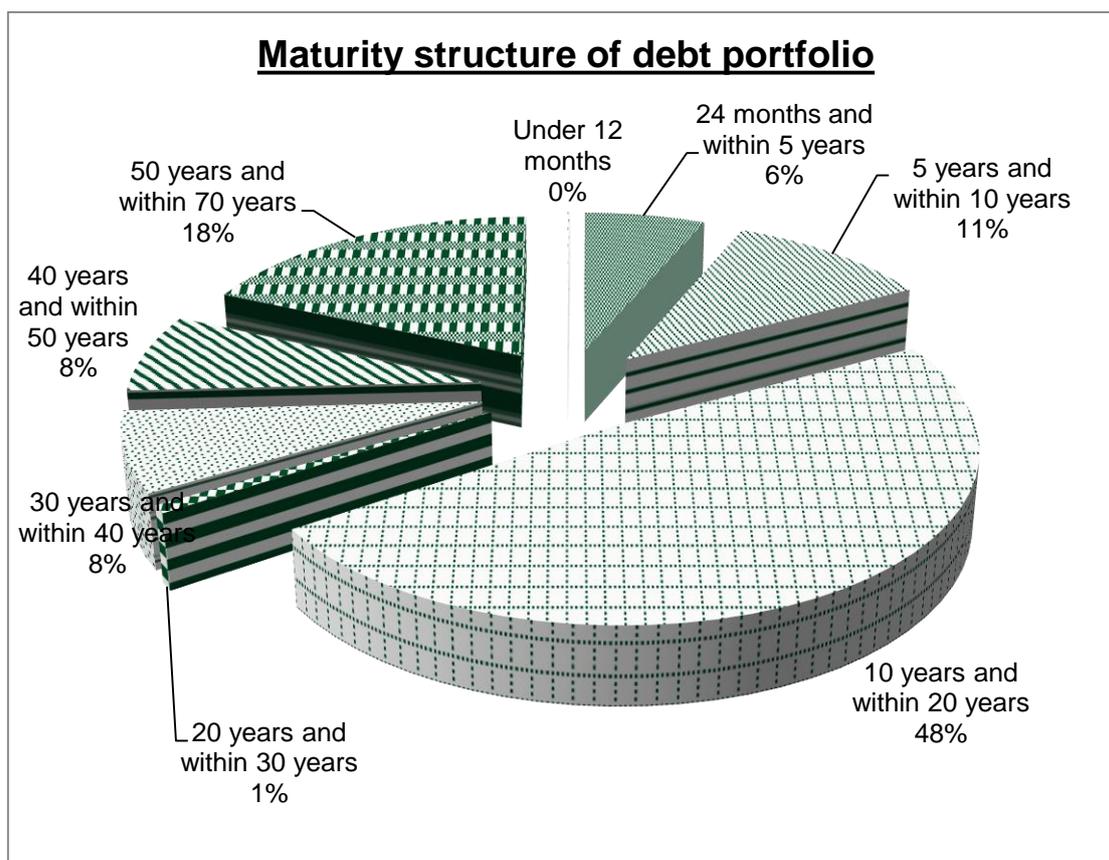
Portfolio Valuation as at 31 March 2015

Portfolio Valuation as at 31 March 2015 (completed by Capita Asset Services)	Nominal / Principle £'000	Fair Value £'000
Investments		
Fixed Term Deposits	37,000	37,117
Total	37,000	37,117
External Debt		
LOBO loan - Fixed rate	24,000	30,984
PWLB loan - Maturity	107,482	132,454
Local Enterprise Partnership loan	120	120
Total	131,602	163,558

* Fair value is a rational and unbiased estimate of the potential market price of goods/services.

The purpose of the valuation is to evaluate quantitatively the authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the authority's risk exposure arising as a result of these transactions.

The maturity structure of the debt portfolio was as follows:



The maturity structure of the investment portfolio was as follows:

	2013/14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Investments			
Longer than 1 year	0	10,000	0
Under 1 year	57,243	40,000	59,735
Total	57,243	50,000	59,735

Note: The variance between actual and budget was due to fluctuation of Income being received (including section 106) and fluctuation of payments. (The re-profiling of the capital programme).

The exposure to fixed and variable rates was as follows:

	2013/14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Interest rate exposures: Debt			
Upper limit on fixed rate exposures - Net Position	107,602	180,000	107,602
Upper limit on variable rate exposures - net position	24,000	40,000	24,000

Note: The variance between actual and budget was due, in the main, to the Town centre slippage (Anticipated loan not required)

	2013/14 Actual £'000	2014/15 Budget £'000	2014/15 Actual £'000
Interest rate exposures: Investment			
Upper limit on fixed rate exposures - Net Position	(42,800)	(80,000)	(48,867)
Upper limit on variable rate exposures - net position	(14,443)	(40,000)	(9,546)

Note: The actuals fluctuate during the year depending of the cash flow available for investment.

5) The Treasury Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone external borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. This is demonstrated by an increase of 2.9% since 2014/15. Internal borrowing as at 31st March 2015 stands at 28.4% of the CFR. (See appendix B)

6) The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast

for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European Central Bank (ECB) was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

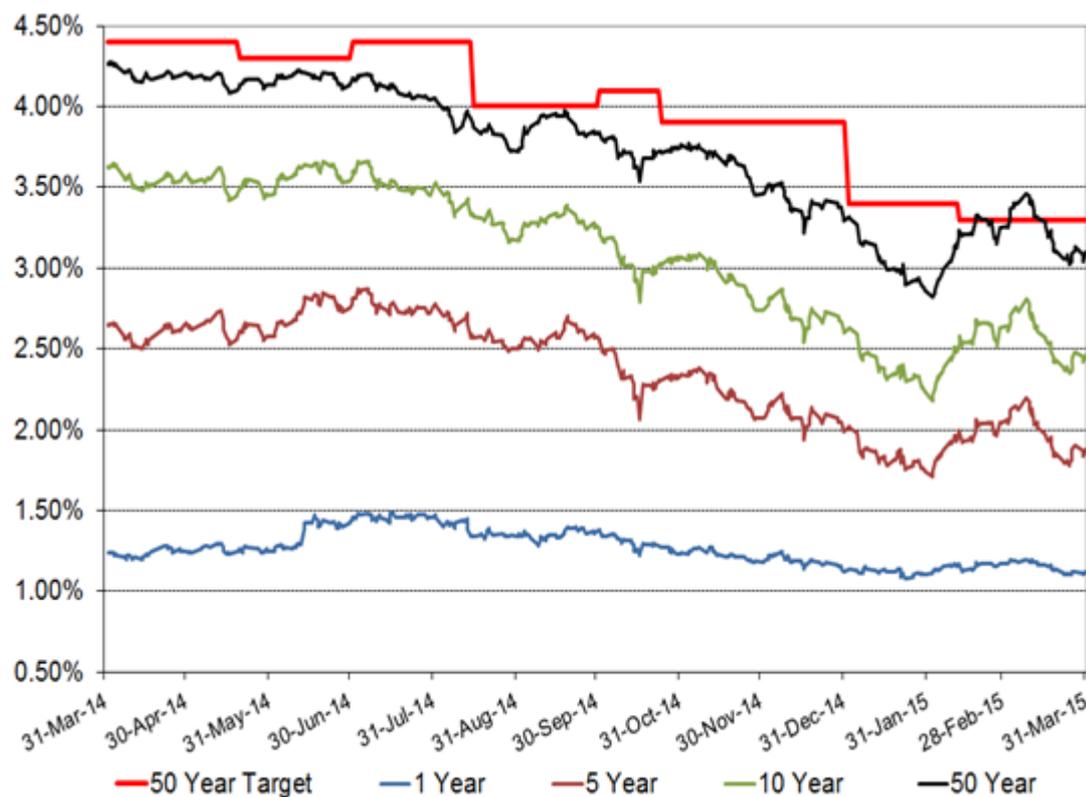
Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the European Union (EU) and European Central Bank (ECB), it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone (EZ) once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the UK general election.

The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

7) Borrowing Rates in 2014/15

The graphs for PWLB certainty maturity rates below, show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



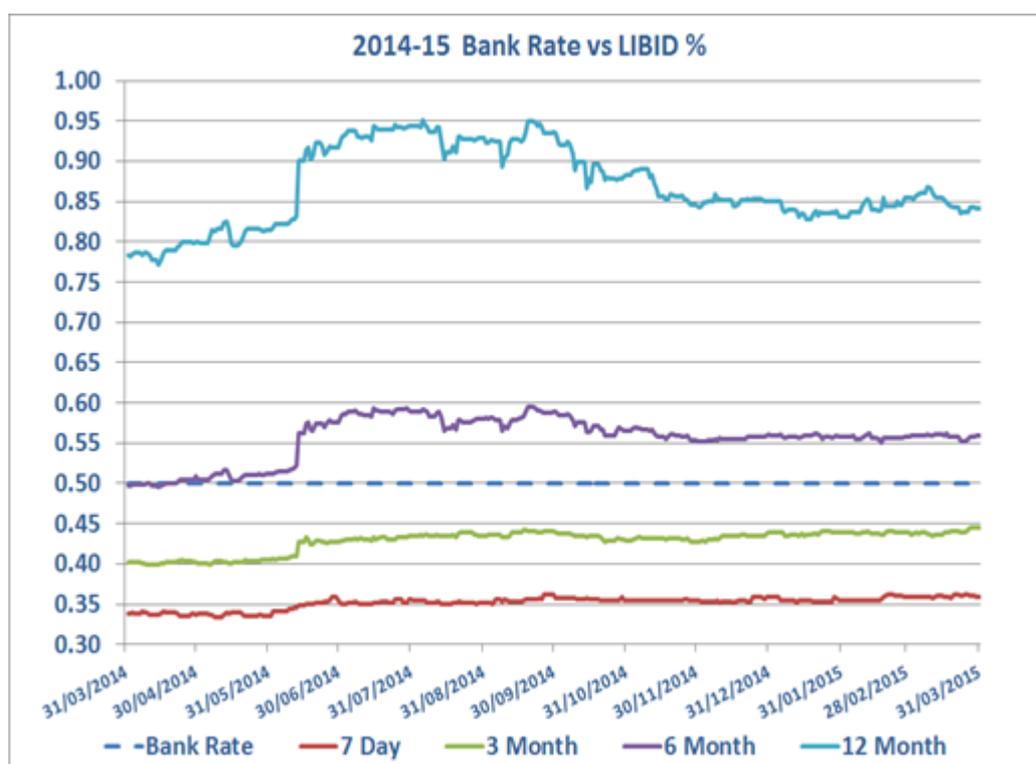
8) Borrowing Outturn for 2014/15

Borrowing – No New loans were undertaken

Repayments – No repayments were actioned in 2014/15

9) Investment Rates in 2014

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



10) Investment Outturn for 2014/15

The Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 20th February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

	31-Mar-2014 £'000	31-Mar-2015 £'000
Balance Sheet Resources (£m)		
Balances-(General Fund, Housing Revenue Account and Dedicated Schools Grant)	18,099	
Earmarked reserves	42,039	
Provisions	4,690	
Usable capital receipts	6,830	
Total	71,658	0

Interest received from Investments held by the Council

	2014-15 Budget As per the TMSS £'000	2014/15 Actual £'000	%
Interest on investments			
RLAM		64	7.4%
Aberdeen Asset Management *		105	12.1%
In House **		696	80.4%
Total	726	865	100%

Note:* Aberdeen asset Management formerly known as Scottish Widows Investment Partnership (SWIP)

Note ** includes internal loans to Wokingham Housing Limited and HRA

11) Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council’s performance indicators were set out in the Annual Treasury Management Strategy.

Prudential and treasury indicators as at 31st March 2015
(Not previously reported Appendix A)

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
Upper limit -Debt Only					
On fixed rate exposures	180,000	107,602	107,602	107,602	107,602
On variable rate exposures	40,000	24,000	24,000	24,000	24,000

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
Upper limit -Investments only					
On fixed rate exposures	(80,000)	(57,803)	(65,831)	(62,850)	(48,867)
On variable rate exposures	(40,000)	(15,572)	(11,851)	(11,528)	(9,546)

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
Ratio of financing costs to net revenue stream (Non HRA)					
Ratio of financing costs to net revenue stream (Non HRA)	4.72%	4.02%	4.02%	3.97%	3.25%

The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Net revenue stream

As per budget 2014/15: £6,093 / £129,086 = 4.72%

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
Ratio of financing costs to net revenue stream (HRA)	18.71%	18.66%	18.66%	18.36%	18.21%

The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Total income received

As per budget 2014/15: £2,852 / £15238 = 18.71%

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
Incremental impact of capital investment decisions					
Addition or (Reduction) to Council Tax	34	29	29	29	29

This is the incremental impact on council tax (D equivalent) of the recommended capital investment plans and funding proposals.

	2014/15 Budget	Quarter 1 14/15 Year end forecast	Quarter 2 14/15 Year end forecast	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end Actual £'000
	%	%	%	%	%
Ave rate of interest on debt (Longterm)					
Non HRA	4.38%	4.38%	4.38%	4.38%	4.38%
HRA including GF internal loan	2.87%	2.87%	2.87%	2.87%	2.87%
Total	3.35%	3.35%	3.35%	3.35%	3.35%

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end forecast £'000
Short term borrowing limit	20,000	0	5,000	2,000	2,000

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end forecast £'000
Internal Borrowing					
CFR* (year-end position)	214,353	214,977	197,584	197,584	196,416
Less External Borrowing	(148,541)	(131,602)	(131,602)	(131,602)	(131,602)
Less Other long term liabilities	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Internal Borrowing	56,812	74,375	56,982	56,982	55,814
Annual change in CFR		25,846	8,453	8,453	7,285
% of internal borrowing to CFR	26.50%	34.60%	28.84%	28.84%	28.42%

	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000	Quarter 3 14/15 Year end forecast £'000	Quarter 4 14/15 Year end forecast £'000
Internal investments: (Principle)					
HRA Internal loan from the General fund	8,874	8,874	8,874	8,874	8,874
Wokingham Housing	1,000	200	200	300	613
Total	9,874	9,074	9,074	9,174	9,487

	Rate %	2014/15 £'000
Internal investments: (Interest received)		
HRA Internal loan from The General fund	4.50%	399
Wokingham Housing	6.00%	19
Total		418

	Loan Amount £'000	Interest Rate %	Term Days
Short Term Loans			
Rhondda CTCBC	2,000	4.50%	1

General Fund Loan portfolio

Type of loan	Reference no.	Counterparty	Start Date	Maturity Date	Principal £'000	Interest Rate
General Fund						
loan - Maturity	485805	PWLB		01 August 2022	976	4.88%
loan - Maturity	488876	PWLB	16 July 2004	01 February 2034	2,343	4.95%
loan - Maturity	491320	PWLB	15 February 2006	01 August 2051	2,929	3.85%
loan - Maturity	491456	PWLB	26 April 2006	30 September 2046	1,431	4.35%
loan - Maturity	491474	PWLB	28 April 2006	01 August 2052	5,587	4.40%
loan - Maturity	493309	PWLB	24 May 2007	31 March 2054	9,764	4.60%
LOBO loan - Fixed	3b	Barclays	24 February 2007	24 February 2077	4,882	4.35%
LOBO loan - Fixed	2c	Barclays	11 January 2007	11 January 2077	4,882	4.60%
LOBO loan - Fixed	1c	KA Finaz AG	06 February 2006	06 February 2066	4,882	4.88%
LOBO loan - Fixed	4	Barclays	16 February 2006	16 February 2066	1,953	3.68%
LOBO loan - Fixed	5	Barclays	19 October 2006	19 October 2076	4,882	3.73%
LOBO loan - Fixed	6	Barclays	19 October 2006	19 October 2076	1,953	3.77%
Local Enterprise Board			03 January 2014	03 January 2016	120	0.00%
					46,584	

Housing Revenue Fund Loan portfolio

Type of loan	Reference no.	Counterparty	Start Date	Maturity Date	Original Principal	Interest Rate
Housing Revenue Account (HRA)						
Loan - Maturity	485805	PWLB		01 August 2022	24	4.88%
Loan - Maturity	488876	PWLB	16 July 2004	01 February 2034	57	4.95%
Loan - Maturity	491320	PWLB	15 February 2006	01 August 2051	71	3.85%
Loan - Maturity	491456	PWLB	26 April 2006	30 September 2046	35	4.35%
Loan - Maturity	491474	PWLB	28 April 2006	01 August 2052	135	4.40%
Loan - Maturity	493309	PWLB	24 May 2007	31 March 2054	236	4.60%
Loan - Maturity	501033	PWLB	28 March 2012	28 March 2018	1,750	150.00%
Loan - Maturity	501034	PWLB	28 March 2012	28 March 2021	3,482	221.00%
Loan - Maturity	501035	PWLB	28 March 2012	28 March 2032	8,516	330.00%
Loan - Maturity	501036	PWLB	28 March 2012	28 March 2020	1,988	199.00%
Loan - Maturity	501037	PWLB	28 March 2012	28 March 2031	7,231	326.00%
Loan - Maturity	501038	PWLB	28 March 2012	28 March 2022	4,199	240.00%
Loan - Maturity	501039	PWLB	28 March 2012	28 March 2029	6,378	315.00%
Loan - Maturity	501040	PWLB	28 March 2012	28 March 2027	5,415	301.00%
Loan - Maturity	501041	PWLB	28 March 2012	28 March 2017	3,476	124.00%
Loan - Maturity	501043	PWLB	28 March 2012	28 March 2033	9,276	334.00%
Loan - Maturity	501044	PWLB	28 March 2012	28 March 2034	1,000	337.00%
Loan - Maturity	501045	PWLB	28 March 2012	28 March 2025	3,744	282.00%
Loan - Maturity	501046	PWLB	28 March 2012	28 March 2028	5,981	308.00%
Loan - Maturity	501047	PWLB	28 March 2012	28 March 2030	6,789	321.00%
Loan - Maturity	501048	PWLB	28 March 2012	28 March 2026	3,971	292.00%
Loan - Maturity	501049	PWLB	28 March 2012	28 March 2024	4,116	270.00%
Loan - Maturity	501050	PWLB	28 March 2012	28 March 2023	3,484	256.00%
Loan - Maturity	501051	PWLB	28 March 2012	28 March 2019	3,098	176.00%
LOBO loan - Fixed	3b	Barclays	24 February 2007	24 February 2077	118	4.35%
LOBO loan - Fixed	2c	Barclays	11 January 2007	11 January 2077	118	4.60%
LOBO loan - Fixed	1c	KA Finaz AG	06 February 2006	06 February 2066	118	4.88%
LOBO loan - Fixed	4	Barclays	16 February 2006	16 February 2066	47	3.68%
LOBO loan - Fixed	5	Barclays	19 October 2006	19 October 2076	118	3.73%
LOBO loan - Fixed	6	Barclays	19 October 2006	19 October 2076	47	3.77%
					85,018	
Total					131,602	

COUNTERPARTY LIMITS
31/03/2015
MAXIMUM OF £5m per Group (DMO- £20m)

	Country	Fitch Long Term Rating *	Individual Limit per LCD £'000	Max Duration Months	Current Investment £'000	Available Balance £'0000
Others						
Woking Borough Council	UK	AAA	5,000	12	5,000	0
Blackpool Borough Council	UK	AAA	5,000	12	3,000	2,000
Barnsley Borough Council	UK	AAA	5,000	12	3,000	2,000
London Borough of Enfield	UK	AAA	5,000	12	5,000	0
Wakefield Council	UK	AAA	5,000	12	3,000	2,000
Salford City Council	UK	AAA	5,000	12	2,000	3,000
Birmingham City Council	UK	AAA	5,000	12	5,000	0
Lancashire County Council	UK	AAA	5,000	12	5,000	0
West Lothian Council	UK	AAA	5,000	12	3,000	2,000
Newcastle City Council	UK	AAA	5,000	12	0	5,000
Leeds CC	UK	AAA	5,000	12	0	5,000
Debt Management Office (DMO)	UK	AAA	20,000	3	0	20,000
Fife Council	Uk	AAA	5,000	12	3,000	2,000
South Lanarkshire Council	UK	AAA	5,000	12	3,000	2,000
Eastleigh Borough Council	UK	AAA	5,000	12	3,000	2,000
Woking Borough Council (forward)	UK	AAA	5,000	12	5,000	0
Dudley MC	UK	AAA	5,000	12	3,000	2,000
Money Market Funds						
Invesco Global MMF (was AIM)	UK	AAA	5,000	36	0	5,000
Deutsche Bank Sterling Fund (was Henderson)	Ireland	AAA	5,000	36	0	5,000
Goldman Sachs	UK	AAA	5,000	36	0	5,000
Goldman Sachs - Govt	UK	AAA	5,000	36	0	5,000

BANKING GROUPS						
Lloyds Banking Group						
Bank of Scotland	UK	A	3,000	6	0	3,000
Lloyds TSB	UK	A	3,000	6	0	3,000
Group Limit			3,000			3,000
HSBC Group						
HSBC Bank plc	UK	AA-	3,000	6	0	3,000
INDIVIDUAL BANKS						
Royal Bank of Canada	Canada	AA	3,000	12	0	3,000
Toronto-Dominion Bank	Canada	AA-	3,000	12	0	3,000
1000 Ontario, Province of	Canada	AA-	3,000	12	0	3,000
Landwirtschaftliche Rentenbank	Germany	AAA	5,000	12	0	5,000
Kfw	Germany	AAA	5,000	12	0	5,000
European Investm kent Bank		AAA	5,000	12	0	5,000
Clearstream Banking	Luxembourg	AA	3,000	12	0	3,000
Development Bank of Singapore	Singapore	AA-	3,000	12	0	3,000
Oversea Chinese Banking Corp	Singapore	AA-	3,000	12	0	3,000
United Overseas Bank LTD	Singapore	AA-	3,000	12	0	3,000
Barclays Bank	UK	A	3,000	6	0	3,000
Close Brothers	UK	A	3,000	6	0	3,000
Sumitomo Mitsui Corperation Grp	UK	A-	3,000	6	0	3,000
Santander UK PLC	UK	A	3,000	6	0	3,000
Building Societies						
Nationwide Building Society	UK	A+	2,000	6	0	2,000
Coventry Building Society	UK	A	2,000	6	0	2,000
Leeds Building Society	UK	A-	2,000	6	0	2,000

Banks/Building Societies no longer meeting criteria						
Cheshire Building Society (to 31/03/09)	UK		0		0	0
Progressive BS (to 31/03/09)	UK		0		0	0
TOTAL INVESTMENTS					51,000	
* GB = Government Backed						
** Barclays Investment 3+ months - dealt before change in max duration						

The figures in the table above are Principal values only, the amounts in the body of the report include accrued interest accounted for on the authority's balance sheet at year end.

Investments held by the external fund managers follow the criteria set out in the treasury management strategy over counterparty selection.

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Investment portfolio

CURRENT INVESTMENTS 31/03/2015

Institution	Amount	Rate	Maturity Date	Trade Date	Broker
£'000					
South Lanarkshire	3,000	0.65%	08 September 2015	01 October 2014	Tradition
London Borough of Enfield	3,000	0.48%	11 August 2015	18 September 2014	Tradition
Lancashire CC	5,000	0.55%	29 July 2015	28 August 2014	Tradition
Birmingham CC	2,000	0.05%	08 July 2015	14 August 2014	Tradition
London Borough of Enfield	2,000	0.44%	23 June 2015	01 July 2014	Tradition
Barnsley Borough Council	3,000	0.45%	16 June 2015	16 September 2014	Sterling
Salford CC	2,000	0.40%	28 May 2015	10 June 2014	Tradition
West Lothian Council	3,000	0.45%	19 May 2015	02 June 2014	Tradition
Birmingham CC	3,000	0.43%	22 April 2015	16 June 2014	Tradition
Blackpool BC	3,000	0.43%	15 April 2015	31 October 2014	Tradition
Eastleigh BC	3,000	0.45%	15 April 2015	22 September 2014	Tradition
Woking Borough Council	5,000	0.48%	08 April 2015	08 May 2014	Tradition
Invesco Global MMF (AIM Global)	0	Variable	Call		
Deutsche Bank (Henderson)	0	Variable	Call		
Natwest SIB	0	0.90%	Call		
Goldman Sachs	0	Variable	Call	01 May 2006	
Goldman Sachs Govt	0	Variable	Call	05 August 2009	
Total	37,000				
Forward Deals					
Woking Borough Council	5,000	0.45%	29 January 2016	08 April 2015	Tradition
Dudley MBC	3,000	0.49%	23 March 2016	15 April 2015	Tradition
Fife Council	3,000	0.49%	17 March 2016	17 April 2015	Tradition
Grand Total	48,000				
Investments By Broker					
	Amount	No of deals			
Goldman Sachs	0	1			
Goldman Sachs Govt	0	1			
Natwest SIB	0	1			
Deutsche Bank (Henderson)	0	1			
Invesco Global MMF (AIM Global)	0	1			
Sterling Brokers	1,000	1			
Tradition	47,000	9			
DMO		0			
Tullett Prebone		0			
Total	48,000	15			

	Mkt Value £'000	Interest Received £'000	Cumulative rate %
Fund Managers @ 31/03/15			
Royal London Asset Management (Rlam)	11,867	64	0.44%
Aberdeen Asset Management *	9,546	105	0.82%
	21,413	169	

Note:* Aberdeen asset Management formerly known as Scottish Widows Investment Partnership (SWIP).

Glossary of terms

Authorised Limit – Represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term.

Boundary Limit – Is an estimate of the authorised limit but reflects an estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

CFR - Capital Financing Requirement- reflects the Council's underlying need to borrow for a capital purpose. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

CIPFA Prudential Code - is a professional code of practice to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

Communities and Local Government (CLG) - Is a ministerial department, supported by 12 agencies and public bodies. They are working to move decision-making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is being spent.

Consumer price index (CPI) - measures changes in the price level of a market basket of consumer goods and services purchased by households.

ECB - European Central Bank.

Fair value - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

FED - The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.

Financing Cost to Net Revenue Stream-The percentage of the revenue budget set aside each year to service debt financing costs.

FLS - Funding for Lending Scheme (FLS) was launched by the Bank and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

Gross domestic product (GDP) - is the market value of all officially recognized final goods and services produced within a country in a given period of time (usually the fiscal year).

Local Authority Lender Option Borrower Option (LOBO) - The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 5 years.

Local enterprise partnerships - Are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

London Interbank Bid Rate - the rate at which banks will bid to take deposits in Eurocurrency from each other. The deposits are for terms from overnight up to five years.

MPC - Monetary Policy Committee Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be achieved.

MRP - Minimum Revenue Provision - Is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by Borrowing.

Private Finance Initiative (PFI) - This is funding public infrastructure projects with private capital.

PWLB - Public Works Loan Board - is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury.

PWLB certainty rate - A reduced interest rate from PWLB to principal local authorities, which provided required information to government on their plans for long-term borrowing and associated capital spending.

Quantitative easing (QE) - A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

Voluntary Revenue Provision (VRP) - This a discretionary provision to reduce the unfinanced capital expenditure (Borrowing) by additional loan repayments.

Agenda Item 8.

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 23 June 2015
WARD	None Specific
DIRECTOR	Graham Ebers – Director of Finance & Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Offering excellent value for Council Tax Payers

RECOMMENDATION

That the Committee note the report and the actions being taken to reduce the incidence of raising retrospective purchase orders.

SUMMARY OF REPORT

This report details the progress being made to reduce the incidence of raising retrospective purchase orders (RPO). The last report presented to the Audit Committee was in December 2014.

In September 2014 the new financial system went live. As reported to Audit Committee in December 2014, this has, as with most new implementations of this significance, not been without its teething problems. The level of RPO's at the changeover to the new system rose to 48% which were as a result of the migration of data between the two systems. This has seen a downward trend in subsequent months.

The incidence of RPO's are regularly discussed at the Extended Corporate Leadership Team meeting on a monthly basis. This has raised the profile of the practice and the risk to financial management.

Reporting for the current month stands at 23%. Reporting for April was 24%. A total of 248 RPO's were raised in the month. This covered some 186 suppliers. A total of nine RPO's (value £3,349) were raised against Woodley Town Council, which in the main (7) were for hire of premises.

The value of retrospective orders raised during May 2015 was £433,671 and ranged from £10.06 to £54,492.66. 15 of the total were in excess of £5,000, two of which were in excess of £50,000. The largest RPO was raised for £54,493 against the Smart Criminal Justice Services for the annual contract renewal relating to the Drug Action Team.

All suppliers will now be written to, to emphasise the importance of quoting a valid purchase order number to avoid delays in processing any payments. Some suppliers email an invoice on the same day that services are requested and therefore automatically become RPO's, these are being investigated further to establish whether they should form part of a particular exceptions list. Any exceptions will need to be included in the Finance Regulation and therefore subject to approval from the Constitutional Review Working Group.

Finance business partners continue to work across the council to minimise the level of RPO's being raised.

The attached information breaks this information down in more detail.

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)	Nil		
Next Financial Year (Year 2)	Nil		
Following Financial Year (Year 3)	Nil		

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

N/A

List of Background Papers

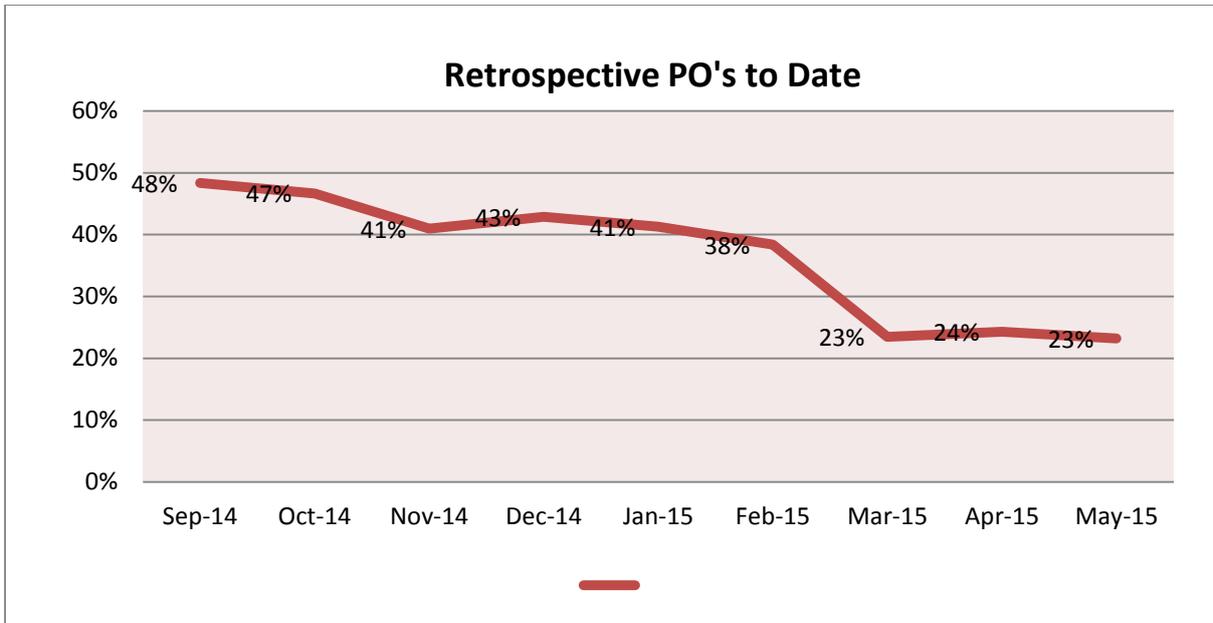
N/A

Contact Robert Stubbs	Service Finance & Resources
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Date 10 June 2015	Version No. 1.0

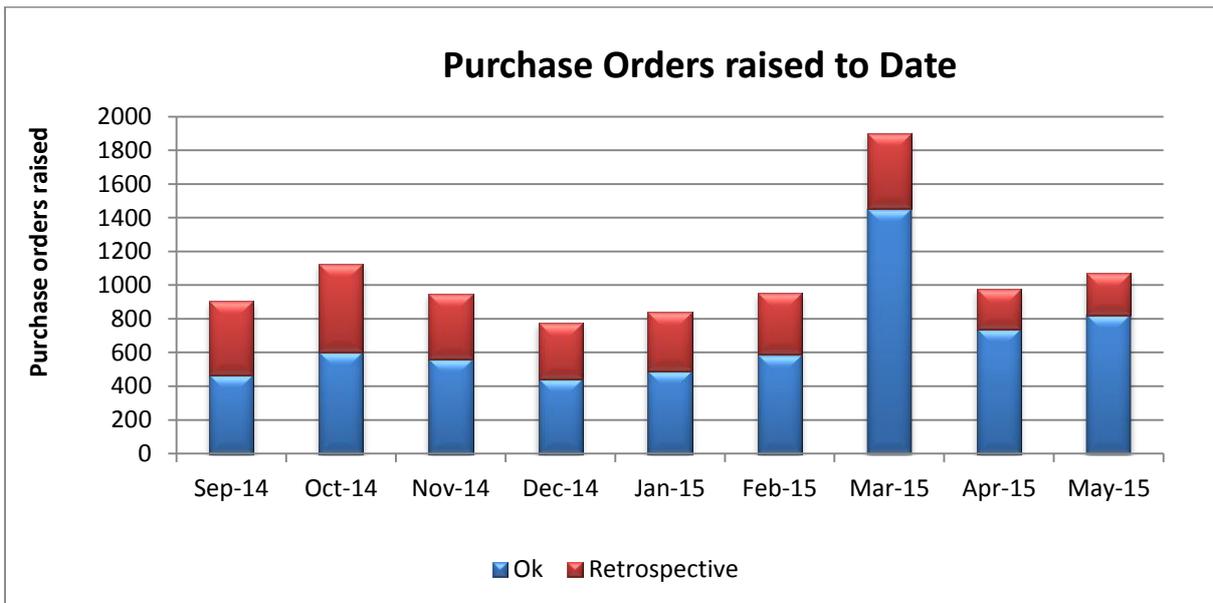
Retrospective Purchase Orders – Detailed Information

Retrospective Purchase orders – Incidence to date (post system Change)

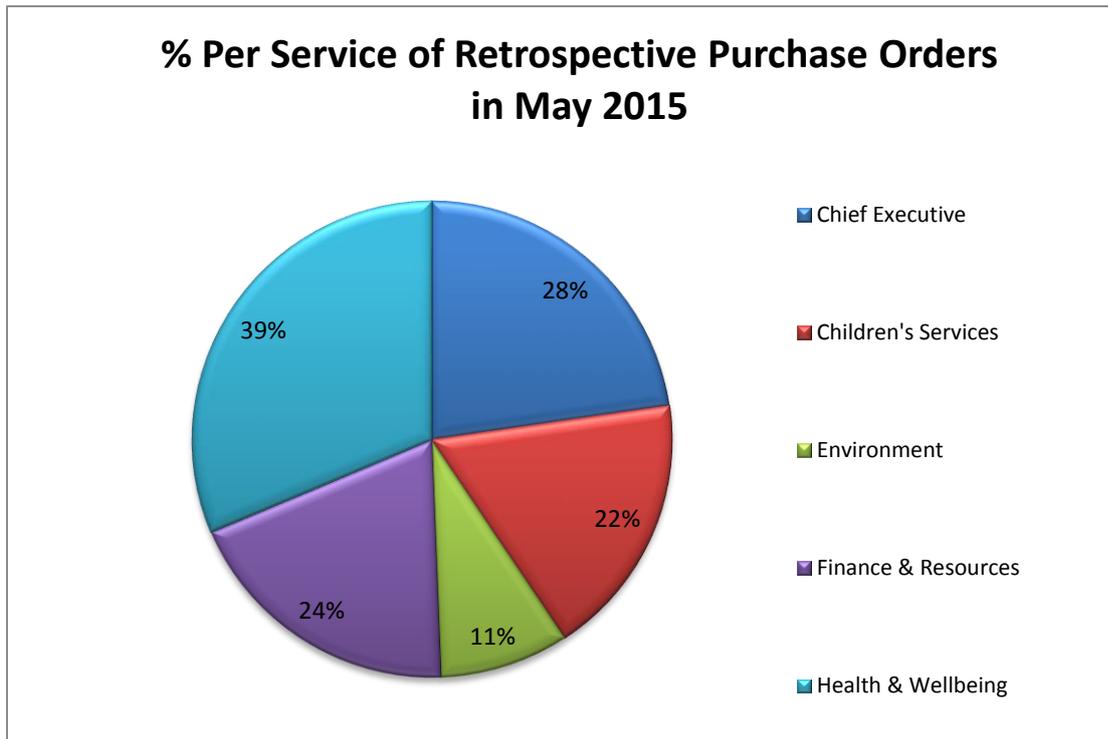
Retrospective purchase orders have reduced since the issues identified with the implementation of the new financial system.



The table below shows the levels of total purchase orders raised since September 2014 broken down between those raised correctly and those raised retrospectively. Work is continuing across the council to reduce this practice.

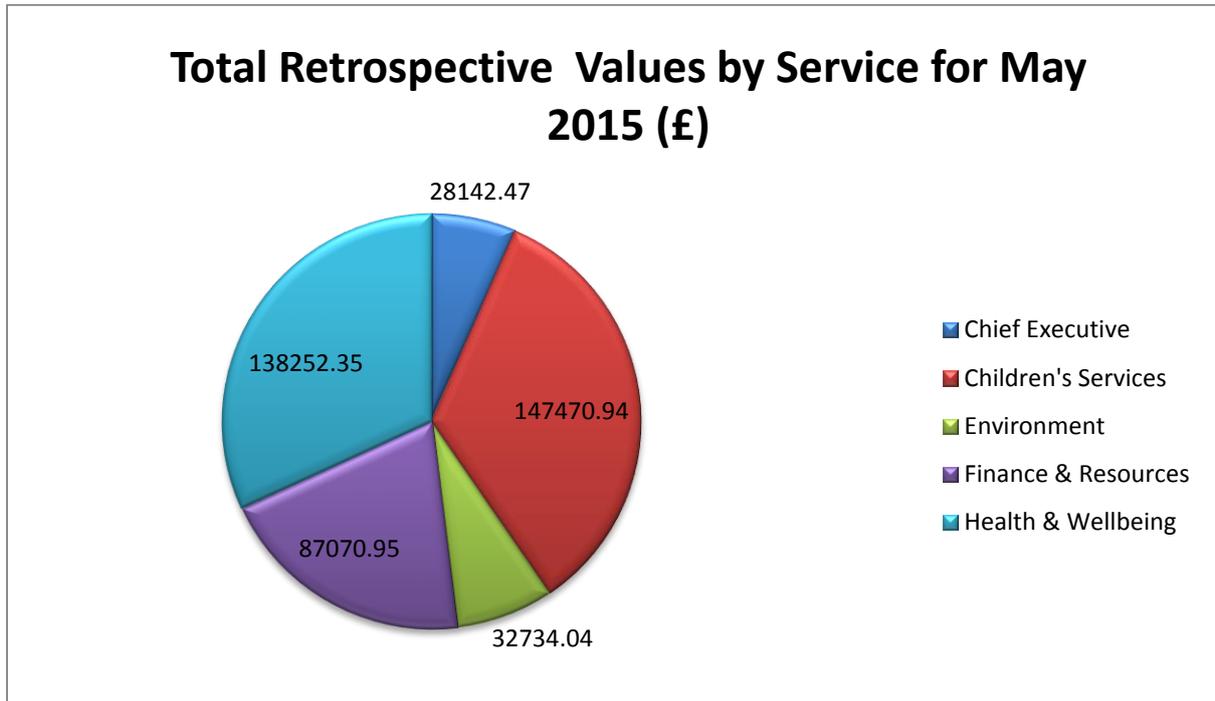


The chart and table below shows the percentage of RPO's by service during the month of May2015.



Service Unit	May-15			May Total
	OK	Retrospective	% Retrospective	
Chief Executive	18	7	28%	25
Children's Services	302	86	22%	388
Environment	216	26	11%	242
Finance & Resources	151	47	24%	198
Health & Wellbeing	130	82	39%	212
Grand Total	817	248	23%	1065

The chart below details the total value of purchase orders raised retrospectively by each service.



The table below shows the numbers and values by service in ranges between £0 and £5000+

Service Unit	May-15								May Total	
	£0 - £500		£501 - £1000		£1001 - £5000		£5001 +		RPO	Amount
	RPO	Amount	RPO	Amount	RPO	Amount	RPO	Amount		
Chief Executive	3	£440.29	0	£0.00	3	£6,249.72	1	£21,452.46	7	£28,142.47
Children's Services	48	£9,554.12	12	£8,865.17	19	£43,720.54	7	£85,331.11	86	£147,470.94
Environment	12	£1,616.16	4	£3,197.31	10	£27,920.57	0	£0.00	26	£32,734.04
Finance & Resources	36	£6,921.55	3	£2,406.00	3	£4,988.23	5	£72,755.17	47	£87,070.95
Health & Wellbeing	67	£11,182.11	6	£3,672.04	7	£15,119.33	2	£108,278.87	82	£138,252.35
Grand Total	166	£29,714.23	25	£18,140.52	42	£97,998.39	15	£287,817.61	248	£433,670.75

The table below identifies those orders and suppliers where the value of the invoice was greater than £5,000.

Row Labels	SupplierID(T)	Cost Centre(T)	Sum of Amount
Chief Executive	Royal Mail Retail	Elections District / Parish Combined	£21,452.46
Chief Executive Total			£21,452.46
Children's Services	Kennel Lane School	Schools Block - SEN Provision	£13,125.70
Children's Services	Wokingham & District Mencap	Community Support	£10,000.00
Children's Services	National Youth Advocacy Services	Safeguarding Staffing Team	£13,300.75
Children's Services	JKB Consulting	Service Managers - Social Care & Safeguarding	£8,075.50
Children's Services	Littledown Special School	Schools Block - SEN Provision	£13,333.00
Children's Services	Teachers Pensions	PRC/Dismissal Costs	£18,194.25
Children's Services	Resolutions Consultancy Pty Ltd	Service Managers - Social Care & Safeguarding	£9,301.91
Children's Services Total			£85,331.11
Finance & Resources	Contract Trading Services Ltd	Buildings MU	£12,960.00
Finance & Resources	Berkshire Healthcare NHS Trust	The Forge	£20,384.26
Finance & Resources	South East Employers	Training	£11,480.11
Finance & Resources	Postage By Phone	Shute End Offices	£5,010.80
Finance & Resources	IHS (Global) Limited	Buildings MU	£22,920.00
Finance & Resources Total			£72,755.17
Health & Wellbeing	West Berkshire District Council	OP Equipment / Adaptations	£53,786.21
Health & Wellbeing	Smart Criminal Justice Services	DAT - Pooled Treatment	£54,492.66
Health & Wellbeing Total			£108,278.87
Grand Total			£287,817.61

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Agenda Item 9.

TITLE	Annual Governance Statement 2014/15
FOR CONSIDERATION BY	Audit Committee on 23 June 2015
WARD	None Specific
DIRECTOR	Andy Couldrick, Chief Executive

OUTCOME / BENEFITS TO THE COMMUNITY

The Accounts and Audit (England) Regulations 2011 require authorities to operate “a sound system of internal control” and for this to be regularly reviewed. Linked to this, all councils are legally required to publish an Annual Governance Statement (AGS) as part of the Statement of Accounts.

The purpose of the AGS is to comply with this legal requirement and provide a transparent and accurate representation of the council’s governance arrangements during 2014/15 and highlight issues that the council wishes to improve.

RECOMMENDATION

The Audit Committee is asked to consider and approve the AGS on behalf of the Council, prior to it being included in the final Statement of Accounts.

SUMMARY OF REPORT

The AGS covers the following key aspects of the governance environment in place at Wokingham Borough Council during 2014/15:

- Establishing and monitoring the achievement of the council’s objectives;
- Facilitation of Policy and Decision-making;
- Financial Management;
- Performance Management; and
- Risk Management.

It also comments on the effectiveness of the council’s governance arrangements, including the system of internal control and the effectiveness of Internal Audit. It identifies areas of significant governance weaknesses that the council intends to address to further improve the governance framework in place. This demonstrates the council’s commitment to openness and transparency.

Background

The AGS has been produced by the Corporate Leadership Team (CLT) following consideration of a number of Management Assurance Statements (MAS) produced by the council’s four Directors and two Heads of Services. MAS’s completed by WBC for 2014/15 have been signed by the relevant Director/Head of Service and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council, who are legally required to sign the AGS prior to it being included in the final Statement of Accounts.

Once the AGS has been formally adopted by Audit Committee, governance disclosures detailed in Section 8 of the AGS will be managed within the appropriate risk register to provide for clear accountability, reduced bureaucracy and to assist in further embedding risk management within the council.

Analysis of Issues

See above.

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

Not applicable.

Cross-Council Implications

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

Contact Catherine Hickman	Service Service Manager - Shared Audit & Investigation Service
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Date 02 June 2015	Version No. v1



DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

1. Scope of Responsibility

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2 At Wokingham Borough Council we are responsible for ensuring that financial management is adequate and effective and that we have a sound system of internal control to enable us to carry out our functions effectively and efficiently whilst ensuring that there are arrangements for the management of risk.
- 1.3 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of councillors. This document comprises our annual governance statement for 2014/15.
- 1.4 The statement should be read alongside our planning, performance management and accountability arrangements described in:
 - A New Vision for the Wokingham Borough.
 - Our plans and strategies, including:
 - Council Plan 2014 - 2017;
 - Wokingham Children and Young People Plan 2014 - 2016;
 - Adopted Wokingham Borough Core Strategy - January 2010;
 - Wokingham Health and Wellbeing Strategy 2014 - 2017; and
 - Medium Term Financial Plan 2014 to 2015.

2. Context

- 2.1 The changing needs of our residents and communities, significant reductions in resources and central government reforms, present a challenge to all councils. Wokingham Borough Council has ambitious plans regarding the delivery of 13,000 homes and the regeneration of Wokingham Town Centre. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 2.2 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising

and delivering services to the residents of the Borough in a way that demonstrates accountability, transparency, effectiveness and integrity.

2.3 The council follows the following governance principles:

- Focussing on the council's purpose and community needs;
- Having clear responsibilities and arrangements for accountability;
- Good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders.

3. The purpose of the governance framework

3.1 Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

3.2 The governance framework has been in place for the year to the date of approval of this annual governance statement.

4. The governance framework

4.1 Our governance framework in Wokingham Borough comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

4.2 These are summarised below:

- Our vision, that is our shared priorities and intended outcomes for residents and service users documented in "A New Vision for the Wokingham Borough", Council Plan 2014 – 2017 and other documents contained in our Budget and Policy Framework;
- The committees, boards and task and finish groups we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
- Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
- Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
- Our risk, performance and accountability arrangements that measure the quality of services, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;

- Our Values and codes of conduct which underpin how Members and employees work;
- Our arrangements for consultation and engagement with the community particularly focussed to help ensure engagement with residents;
- Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
- An effective and independent Shared Audit & Investigation Service; and
- Our procedure rules and internal management processes for:
 - Financial management;
 - Procurement;
 - Information governance and data security;
 - Health and safety;
 - Decision making;
 - Whistleblowing and complaints handling; and
 - Anti-fraud & corruption.

5. Review of Our Effectiveness

5.1 Establishing and monitoring the achievement of the council's objectives

The council's vision, principles, priorities and values were agreed by elected members and officers in 2012. A Council Plan has been operational since November 2014. The council's vision, principles, priorities and values were used to inform service plans for 2014/15 and individual objectives with the council's values being part of every officer's performance review.

- 5.2 The service plan template contained performance indicators (to address corporate priorities), benchmarking (to review our services against others and identify efficiencies) and budget monitoring (to identify savings and efficiencies).

5.3 The Facilitation of Policy and Decision Making

The council has a written constitution, as required by the Local Government Act 2000. For the financial year 2014/15 it was based on the Executive – Leader/Cabinet Model (as set out in the Local Government and Public Involvement in Health Act 2007). The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. The constitution is divided into sections which include articles which set out the basic rules governing the council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/Officer Relations; Access to Information Procedure Rules; as well as the Scheme of Delegation to Officers; and the council's Financial and Procurement Rules.

- 5.4 Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated

authority. Proposed changes to the constitution are considered in advance of Council approval by the Constitution Review Working Group.

- 5.5 The council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the council's constitution. All decisions are advertised and are supported by a formal public report which is produced five clear working days in advance of the decision being taken. All decision making meetings are public meetings, and are filmed. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements except when exempt information is to be discussed.
- 5.6 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/Council for formal approval.
- 5.7 The council has designated the Head of Governance and Improvement as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Chief Executive) and Chief Finance Officer (Director of Finances and Resources), the Monitoring Officer will report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness, or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such report has been issued during the 2014/15 financial year.
- 5.8 The Chief Executive, Director of Finances and Resources and Head of Governance and Improvement (Monitoring Officer) are part of the council's Corporate Leadership Team and have access to all decision making meetings.
- 5.9 The Financial Management of the Council and the Reporting of Financial Management
The Medium Term Financial Plan (MTFP) provides a strategic overview of the council's financial position over a three year period to provide a longer-term view. It includes the council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period.
- 5.10 The financial management arrangements of the council are brought together in the Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.
- 5.11 There is appropriate monitoring of the revenue and capital budget by CLT/Executive Leads and Executive. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the council.
- 5.12 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol).
- 5.13 The Performance Management System of the council and the Reporting of Performance Management

In 2014/15 performance management was delivered through service plans. The council has adopted the Balance Scorecard methodology and this is reviewed by CLT and Overview and Scrutiny.

5.14 The Risk Management of the authority and the Reporting of Risk Management

The process, roles and responsibilities of members, committees and staff are laid out in the council's Enterprise Risk Management Policy. The CLT has responsibility for the Corporate Risk Register (CRR) and for refreshing this on a regular basis. The CRR is presented to the Audit Committee and forwarded to Executive members for information and reference.

5.15 A Risk Management Group consisting of representatives from all service areas continues to meet quarterly. The group helps to facilitate the production and refresh of both the corporate and service risk registers. This group ensures that risks are considered both vertically and horizontally.

6. Review of Effectiveness of Wokingham Borough Council's Governance Framework

6.1 This review of effectiveness is informed by:

- The work of the Corporate Leadership Team, who have responsibility for the development and maintenance of the council's governance environment;
- The Head of Internal Audit's Annual Internal Audit Report; and
- Comments made by the external auditors and other review agencies and inspectorates.

6.2 The draft Annual Governance Statement is considered by CLT and is subsequently reviewed and endorsed by the Audit Committee prior to presentation at Council as part of the audited financial statements.

6.3 Review of the Effectiveness of the System of Internal Control

The council has developed an Assurance Framework to maintain and review the system of internal control. Assurances are provided by a number of sources including Internal Audit and Investigation coverage, annual Management Assurance Statements, the Performance Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. Ofsted).

6.4 The Service Manager – Shared Audit & Investigation Service produces an Annual Internal Audit Report which is submitted to the Audit Committee and includes an opinion on the effectiveness of the system of internal control. The Internal Audit function is subject to review by External Audit (Ernst & Young) who place reliance on the Internal Audit work carried out on the council's key systems.

6.5 Management Assurance Statements have been completed by the council's 4 Directors and 2 Heads of Service. These have been reviewed collectively by CLT as part of the process for compiling the Annual Governance Statement.

6.6 Review of the Effectiveness of Internal Audit

The Accounts and Audit (Amendment) Regulations 2011 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit

Committee. A review of the effectiveness of Internal Audit was conducted in 2014/15 and concludes that Internal Audit is effective and complies with the Public Sector Internal Audit Standards.

7. Improvements to the Governance Arrangements in the last 12 Months

- 7.1 The following actions have improved the governance arrangements in Wokingham Borough Council:
- 7.2 Shared Service - Implementation in October 2014 of a shared service for Internal Audit and Investigations with RBWM to provide increased resilience, knowledge sharing and efficiency.
- 7.3 Modern Gov - implementation in February 2015 of an online system to streamline decision making and make it easier for residents to access information.
- 7.4 Bid to join off sponsored Innovation Programme as a vehicle for improvement and improving accountability/transparency and re-defining what is counted a 'good' service quality and not just performance (data).
- 7.5 Development of Project Board into Development Board with a review of attendees. Introduction and set up of Co-ordination Board which aims to co-ordinate council projects in and around the town centre.
- 7.6 Strategic Development Location (SDL) implementation governance has been strengthened.
- 7.7 Actions taken in respect of audits/reviews and response to information security breaches.
- 7.8 Considerable improvements enacted regarding the governance of companies, including: New Group Operating Protocol; New subsidiary reporting template/procedure; Revising Directorship of Holding Company and subsidiaries to reduce conflicts of interest; and More rounded focus on all company issues as opposed to predominantly finance.

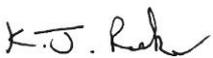
8. Significant Governance Issues at Wokingham Borough Council

- 8.1 The significant issues raised during our review of the effectiveness of the governance framework and system of internal control are outlined below:
- 8.2 Three information security breaches of significance that were reported to the Information Commissioner, including one in relation to the Register of Electors. The Information Commissioner's Office confirmed that no action would be taken by them given the work WBC had conducted to alert residents affected and to mitigate any risks arising from the breach.
- 8.3 The Children's Service is undergoing a whole system change as part of our involvement in the Innovation Programme. This change process can create risk which needs to be managed and monitored. While great strides have been made in building a stable WBC employed social work service, turnover at service manager level is still high as the service seeks candidates of the right quality.
- 8.4 Health Integration – the scale of change to the delivery of the council's statutory adult social care through integration with health partners will require new and different governance and

control mechanisms as the council moves to a pure commissioning model. These will be developed as integration progresses.

- 8.5 Health and Wellbeing Board – the function of the Health and Wellbeing Board as a unique committee of the council (incorporating elected members and mandated non-political members) and its relationship to both internal governance and decision making and wider role with other partners for population health requires further definition. This would include decision making, pooled budget governance and the reporting hierarchy with respect to the Council's Executive. Work will be undertaken throughout this year to clarify responsibilities. Given the limited powers and decision making of the HWB there are no (or limited) risk issues, but governance can be confused. HWB's generally are a new innovation and further guidance is awaited from national government on future arrangements.
- 8.6 Retrospective Purchase Orders. The number of retrospective purchase orders remains at a high level and has been impacted by the migration of data into WISER.
- 8.7 Overall, internal controls are robust, although given the issues outlined above there is scope to further strengthen the council's internal control environment and overall assurance framework.
- 8.8 Action plans have been drawn up to address recommendations arising from the external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.
- 8.9 Good governance is about running things properly. It is the means by which the council shows it is taking decisions for the good of the people of the borough. Wokingham Borough Council is a learning organisation that is committed to continually improve the quality of services that meet resident's needs.

Signed:

Leader of the Council: 

Date: 1/6/15

Chief Executive:



Date: 29/5/15

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2014/15 SHARED AUDIT AND INVESTIGATION SERVICE SERVICE MANAGER, SHARED AUDIT AND INVESTIGATION ANNUAL REPORT

Introduction

1. The 2014/15 Internal Audit Plan was approved by the Audit Committee initially 4 February 2014, revised on 23 September 2014. The emphasis on developing the Audit Plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and was targeted at assisting the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the CIPFA / IIA Public Sector Internal Audit Standards (PSIAS), introduced with effect from 1 April 2013 for the Chief Audit Executive (Service Manager, Shared Audit and Investigation Service) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). 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 Annual Report is required to incorporate:-
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and;
 - the results of the quality assurance and improvement programme.
3. The body of this report also includes a summary of the performance of the Investigation Team.

Internal Audit Opinion

4. Internal audit was provided in-house for the first six months and via a shared service with the Royal Borough of Windsor and Maidenhead hosted by WBC since 1 October 2014. During the year, Internal Audit has undertaken audits of key financial systems (in order to compliment the work of External Audit), as well as focusing on the Council's identified key strategic and key operational risks.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating controls, is that there is Reasonable assurance that the council will achieve its objectives. Based on audits completed during the year and taking into account other sources of assurance, including External Audit, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level and reported concerns being predominately of a moderate impact. A small number of exceptions were identified and these have been summarised in the body of this report .Where appropriate, following audit reviews, managers have agreed actions to ensure that their controls are sufficiently robust and operating as prescribed.

6. To support the overall opinion, for the audits completed, where an audit opinion was appropriate (Audit Opinions – Appendix A (I)), Two reviews resulted in the Limited assurance opinion being given. This indicates that the Council's overall internal control environment, risk management and governance arrangements are basically sound. It should be noted that the overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact.
7. Details of the work undertaken by Internal Audit to support this opinion are contained within this report and in the 2014/15 Progress Reports provided quarterly to the Committee.
8. There have been no restrictions imposed on the scope of the work of the Internal Audit function.

PERFORMANCE SUMMARY

9. The revised 2014/15 Internal Audit Plan agreed by Audit Committee in September 2014 provided for 492¹ audit days, of which 446 (90.65%) were delivered. In terms of reports 43 reports were issued in draft by the 31 March 2015 which equates to 89.58% of reports. There were 128 days carried forward from the 2013/14 plan.
10. Key highlights of audit and investigation activity during the year were:-
 - Assurance given to management on controls in place that mitigate the Council's key strategic risks and identified operational risks.
 - External Audit has continued to be able to place reliance on the work of Internal Audit, thereby keeping the External Audit fee to a minimum.
 - Continued review of the delivery of audit and investigation services to ensure that synergies between the audit and investigation teams and efficiencies are maximised.
 - Additional management / Member requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
 - Moved to Shared Internal Audit Service with RBWM and still substantially delivered the audit plan.
 - Internal Audit have undertaken a lean review and aligned the audit methodology and processes for both the partners.
 - Successful transfer of Housing Benefit cases to Single Fraud Investigation Service (SFIS).
 - Creation of shared service with RBWM for investigations with successful recruitment for vacant posts transferred from RBWM.
 - Development of WBC Fraud Plan detailing proactive work priorities.
 - Commissioned by Oxfordshire County Council and in early 2015/16, Buckinghamshire County Council to undertake specific investigation work.
11. Appendix A (II) presents the progress made against the 2014/15 Internal Audit Plan. It shows audits completed or in progress as at 31 March 2015, and the audit opinions given. There were two Limited assurance opinions over the entire year.

¹ The plan included days for VAT and Information Governance but external assurance was available in the form of an HMRC compliance check and the Information Commissioner's Office Information Risk Review. The approved plan amounted to 508 days.

12. The two audits that resulted in Limited assurance opinions relate to Housing Rents and Debtors. These are summarised below.

Housing Rents: - There was a significant IT system control weakness around access controls in the Housing Rents system, which lead to the ability of unauthorised officers to potentially make amendments to the system data which could lead to financial and legislative risks and open up the council to fraud.

Debtors: - There has been an increase of £1.34m in the level of debt aged over 30 days old owed to the council. This has been exacerbated by issues in relation to the collection of debt owed to the Council resulting from the introduction of WISER. Formal reporting is being introduced to increase senior management oversight.

13. The implementation of a new Enterprise Resource Planning (ERP) WISER has had a widespread impact on key financial systems. As expected when moving from an established system to a new system there has been an impact on the related control effectiveness. Pressure has manifest in the change and increased workload. The overall opinion on core financial control has reduced from Good to Reasonable this year.
14. The number of retrospective purchase orders remains at a high level and has been impacted by the migration of data into WISER. This is being closely monitored by management and reported to Audit Committee.
15. **Additional Work Requested by Members / Management:** Contingency days have been used to respond to three Management requests. Those not previously reported are summarised at Appendix A (III).
- Retrospective Purchase Orders (Previously reported)
 - Keep Mobile Follow Up activity
 - Additional Troubled Families Programme Grant certification.
16. Internal Audit regularly contributes to meetings of the Information Governance Group.

Governance

17. The Audit Team has undertaken a number of reviews related to governance. Key areas for management action were:
- In relation to Risk Management: service risk registers are not consistently in place.
 - In relation to Performance Indicators: Work is underway to enhance and align the current balanced scorecard against the Council Plan. However throughout the year the performance monitoring was not adequately aligned with the Council Plan.
 - In relation to corporate and service planning: The Council Plan was only finalised in September. (Service plans were in place for 2014/15)

Management have agreed actions in these areas.

18. **Public Sector Internal Audit Standards:** The current “Public Sector Internal Audit Standards” (PSIAS) came into effect from 1st April 2013. These standards recognise that a professional, independent and objective internal audit service is a key element of good governance and they encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework. A PSIAS compliance assessment has been carried out for internal audit activities during 2014/15, taking the developments for the Shared Audit & Investigation Service with effect from 1st October 2014 into consideration.
19. The Internal Audit Service is assessed as “substantially compliant” for 2014/15. A number of areas have been identified where compliance could be improved. This includes work in progress to co-ordinate and update processes for the Shared Service going ahead.
20. These are set out in an Action Plan which accompanies this report at Appendix A (IV). This action plan reflects the actions to be taken by the shared service in the coming year to demonstrate improved compliance by April 2016.

Investigation Team

Housing Benefit (HB) and Council Tax Benefit (CTB) Investigations

21. The Investigation Team has continued to be successful in meeting its targets up until 1st November 2014 when the responsibility for housing benefit investigations transferred to Department of Work and Pensions Single Fraud Investigation Service. The target for 14/15 to November for overpayments was £117k. A total of £149k was identified at this time. By the end of 14/15 a total of £175k of overpaid housing benefit/council tax benefit/council tax reduction was identified. For 2015/16, only the council tax figures will be investigated and reported by WBC.

Results of HB and CTB Fraud Investigations 2011/12 to 2014/15 (to 31 March 2015)

Statistic	2011/12 (Outturn)	2012/13 (Outturn)	2013/14 (Outturn)	2014/15 (Outturn) *
Number of cases Investigated and Closed	£279K	£231K	£219K	£246K
Number of Cautions	8	7	5	10
Number of Administrative Penalties	15	8	5	4
Number of Prosecutions	12	11	6	12
Value of Housing and Council Tax Overpayments Identified	£414k	£291k	£388K	£175K
Value of Proactive work	-	-	£88k	£68k

* Housing Benefit investigations transferred to SFIS on 1st November 2014

Other Corporate Investigations Work

22. Oxfordshire County Council commissioned a specific piece of investigation work in 14/15. Additional work has been commissioned in 15/16 with Oxfordshire County Council and Buckinghamshire County Council.
23. The team are the initial point of contact for Whistleblowing allegations, either through the website, by letter or by telephone. Although no referrals did meet the criteria to be a whistleblowing referral, the team undertook initial risk assessment checks and forward to the appropriate team for resolution.
24. A total of 8 cases were risk assessed with the following outcomes:
 - 3 were passed to management
 - 2 were not investigated further due to insufficient information
 - 1 was proven and a sanction issued by relevant department
 - 1 was not proven
 - 1 is currently active
25. The team also conducted 2 investigations on behalf of the Monitoring Officer.

Proactive Work

26. The Investigation Team have continued to support the housing team to proactively prevent and detect Tenancy Fraud. The National Fraud Authority estimates each tenancy fraud costs the local authority £18,000. Outcomes for 14/15 are:-
 - Recovery of 1 property
 - 2 false applications being identified and refused
27. An exercise looking at Council Tax discounts was undertaken and from our very early work in this area, it has netted £2k of overpayments, which will give us a sound base to significantly increase this figure in 2015/16.
28. The team co-ordinate the council's involvement in the National Fraud Initiative and data was submitted from various services in October 2014. Work is currently being done analysing the results of the exercise.

Quality Assurance

29. Internal Audit Questionnaires: Internal Audit have changed the way that Customer Satisfaction is captured. Rather than individual post audit questionnaires Internal Audit have moved to an annual survey of key clients to ensure that there is a focus on the quality of the whole service. Results of this baseline survey will be reported to the September meeting.
30. **Corporate Investigations (Corporate and HB/CTB Investigations)** – Due to the nature of this type of work, Customer Satisfaction Surveys are not issued at the conclusion of each fraud investigation. However, quality assurance is monitored through external inspections of our procedures, compliments received and the low numbers of complaints.

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INTERNAL AUDIT ASSURANCE LEVEL DEFINITIONS

The classifications of assurance levels for 2014/15 are set out below:

Assurance Level	Definition
Outstanding	There is outstanding management of the key risks to the council objectives. There is significant innovation or high levels of user satisfaction. There are examples of best practice. There is an appropriate control environment ¹ with due regard to the Council's risk appetite ² . There is positive assurance that objectives will be achieved.
Good	There is a good level of assurance over the management of the key risks to the council objectives. The control environment ¹ is robust with no major weaknesses in design or operation. There is good assurance that objectives will be achieved.
Reasonable	There is a reasonable level of assurance over the management of the key risks to the council objectives. The control environment ¹ is in need of improvement in either design or operation. There is a misalignment of the level of residual risk ³ to the objectives and the designated risk appetite. There remains a risk that objectives will not be achieved.
Limited	There is a limited level of assurance over the management of the key risks to the council objectives. The control environment ¹ has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
Nil	There is no assurance to be derived from the management of key risks to the council objectives. There is an absence of several key elements of the control environment ¹ in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite ² and the residual risk ³ to objectives. There is a high risk that objectives will not be achieved.

1. **Control Environment** – The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the authority's objectives;
- the facilitation of policy and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- the financial management of the authority and the reporting of financial management, and
- the performance management of the authority and the reporting of performance management.

2. **Risk Appetite** - The amount of risk that the council is prepared to accept, tolerate, or be exposed to at any point in time.

3. **Residual Risk** - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

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SHARED AUDIT AND INVESTIGATION SERVICE

PROGRESS OF WOKINGHAM BOROUGH COUNCIL INTERNAL AUDIT PLAN 2014/15 (to 31 March 2015)

AUDIT TITLE	DIRECTORATE	STATUS	OPINION
<u>2013/14 Audits Carried Forward</u>			
Schools financial controls	Children's Services	FINAL	R
Crazies Hill	Children's Services	FINAL	N/A
Emmbrook Infant	Children's Services	FINAL	N/A
Emmbrook Junior	Children's Services	FINAL	N/A
Hawthorns Primary	Children's Services	FINAL	N/A
Robert Piggott	Children's Services	FINAL	N/A
South Lake	Children's Services	FINAL	N/A
St Nicholas	Children's Services	FINAL	N/A
Westende	Children's Services	FINAL	N/A
Winnersh	Children's Services	FINAL	N/A
All Saints	Children's Services	FINAL	N/A
Coombes	Children's Services	FINAL	N/A
Early Years	Children's Services	FINAL	N/A
Major Project Governance	Cross Cutting	FINAL	R
Corporate Manslaughter	Cross Cutting	FINAL	R
Corporate Governance	Cross Cutting	FINAL	R
Ethical Governance	Cross Cutting	FINAL	R
Information Governance	Cross Cutting	FINAL	R
Housing Benefits	Finance & Resources	FINAL	G
Financial Reporting and Budgetary Control	Finance & Resources	FINAL	G
Capital Programme (Accounting)	Finance & Resources	FINAL	R
Council Tax & NNDR	Finance & Resources	FINAL	G
Cashiers	Finance & Resources	FINAL	G
Creditors	Finance & Resources	FINAL	G
Debtors	Finance & Resources	FINAL	R
Main Accounting	Finance & Resources	FINAL	G
Payroll	Finance & Resources	FINAL	R
Loss of Confidential Data	Finance & Resources	FINAL	R
Effectiveness of Internal Audit and Counter Fraud	Governance & Improvement	FINAL	E
Effectiveness of Audit Committee	Governance & Improvement	FINAL	E
Risk Management	Governance & Improvement	FINAL	R
Balanced Scorecard	Governance & Improvement	FINAL	N/A
Service Planning	Governance & Improvement	FINAL	N/A
<u>2014/15 Audits</u>			
<u>Key Financial Systems</u>			
Benefits	Finance & Resources	FINAL	R
Housing Rents	Finance & Resources	DRAFT	L
Budgetary Control & Reporting	Finance & Resources	DEFERRED	-
Capital Programme (Allocation, Accounting & Budgetary Control)	Finance & Resources	DRAFT	R
Council Tax & NNDR	Finance & Resources	FINAL	R
Fixed Asset Register	Finance & Resources	FINAL	N/A
Material Schools	Finance & Resources	FINAL	G
VAT	Finance & Resources	Assurance from HMRC	
Treasury Management	Finance & Resources	DRAFT	R
BACS	Finance & Resources	DRAFT	R
Bank Reconciliations	Finance & Resources	DRAFT	R
Cashiers	Finance & Resources	FINAL	R
Main Accounting	Finance & Resources	DRAFT	R
WISEr Reconciliation Checks	Finance & Resources	FINAL	N/A

Payroll	Finance & Resources	DRAFT	R
Schools financial controls	Finance & Resources	FINAL	N/A
Creditors	Finance & Resources	DRAFT	R
Debtors	Finance & Resources	DRAFT	L
<u>Grant Certification</u>			
Troubled Families/Family First Grant Certification (x3)	Children's Services	FINAL	Cert
Integrated Transport IT Block & Integrated Transport	Environment	FINAL	Cert
Local Sustainable Transport Fund (Travel Behaviour and	Environment	FINAL	Cert
Decent Homes and Twyford Orchards grant	Health & Wellbeing	FINAL	Cert
<u>Internal Audit Assurance Work</u>			
Corporate Governance	Cross Cutting	DRAFT	-
Ethical Governance	Cross Cutting	FINAL	N/A
	Cross Cutting	Assurance	
		from ICO	
Information Governance		WIP	
Effectiveness of Internal Audit	Cross Cutting	WIP	-
Effectiveness of Audit Committee	Cross Cutting	WIP	-
Risk Management	Cross Cutting	DRAFT	R
Balanced Scorecard	Cross Cutting	FINAL	R
Corporate/Service Planning	Cross Cutting	FINAL	R
WISER Security Controls	Finance & Resources	FINAL	N/A
Major Corporate Projects	Governance & Improvement	DRAFT	-
Community Infrastructure Levy (S106 Transition)	Environment	FINAL	R
Tender Opening Attendance	Governance & Improvement	FINAL	N/A
Coaching Culture Embeddedness Review	Cross Cutting	DEFERRED	-
Keep Mobile Follow Up Memo	Health & Wellbeing	FINAL	N/A
Early St Peter's	Finance & Resources	FINAL	N/A
Oaklands Infant	Finance & Resources	FINAL	N/A
Bulmershe	Finance & Resources	FINAL	N/A
Southfield	Finance & Resources	FINAL	N/A
Foundry College	Finance & Resources	FINAL	N/A
<u>Risk Based Internal Reviews linked to CRR</u>			
School Place Provision - Corporate Risk 2	Children's Services	DRAFT	R
Safeguarding Vulnerable Adults - Corporate Risk 8	Health & Wellbeing	DRAFT	R
Infrastructure Repair - Corporate Risk 12	Environment	WIP	-
Safeguarding Vulnerable Children - Corporate Risk 7	Children's Services	DRAFT	R
Delivery of Key Objectives - Corporate Risk 14	Finance & Resources	DRAFT	R
Judicial Review - Corporate Risk 15	Governance & Improvement	DEFERRED	
Strategic Infrastructure Provision - Corporate Risk 19	Environment	DRAFT	R
Health and Social Care Failure - Corporate Risk 27	Health & Wellbeing	WIP	-
<u>Internal Audit Consultancy & Advisory Work</u>			
HWB Strategic Response to Increased Demand	Health & Wellbeing	DEFERRED	-
Property Services	Finance & Resources	WIP	
Public Health	Health & Wellbeing	FINAL	R
Retrospective Purchase Orders	Finance & Resources	FINAL	N/A
Facilitating the AGS	Operations	WIP	-

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Wokingham BC
Public Sector Internal Audit Standards Self Assessment

2014-15 Action Plan

Action number	Ref.	Action Required	Responsible Officer	Target Date
1	2.4	The internal audit team to maintain CPD schemes for individuals, to improve their proficiency, effectiveness and quality of service.	Team Manager, Internal Audit (Shared Service)	Dec 2015
2	3.3	The Audit Charter (updated/consolidated for the Shared Service) to include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities	Team Manager, Internal Audit (Shared Service)	Sept 2015
3	3.4	The Audit Charter (updated/consolidated) and Audit Protocol to be formally approved and adopted for the Shared Service (drafts in place as at April 2015).	Team Manager and Service Manager (Shared Service)	Sept 2015
4	5.7	Feedback to be sought from the Chair of the Audit Committee when the appraisal takes place for the Service Manager, Shared Audit & Investigation Service.	Service Manager, Shared Service	Dec 2015
5	8.4	The Service Manager/Team Manager Shared Audit & Investigation Service to rotate audits where possible, as set out in the Audit Protocol.	Team Manager and Service Manager (Shared Service)	July 2015
6	8.6	The approved Audit Protocol for the Shared Service to set out guidelines for gifts and hospitality in line with Corporate Governance policies. See Action Point 3 above.	Team Manager, Internal Audit (Shared Service)	Sept 2015
7	8.11	The Audit Committee Terms of Reference to include responsibilities to approve any significant additional consulting services engaged during the year.	Service Manager, Shared Service	Dec 2015
8	11.2	The Service Manager/Team Manager to put in place a mechanism to carry out periodic assessments for individual auditors against defined skills and competencies as part of the annual appraisal process.	Team Manager and Service Manager (Shared Service)	Dec 2015
9	11.4	Professional Development logs to be maintained by individual auditors. See Action Point 1 above.	Team Manager, Internal Audit (Shared Service)	Dec 2015
10	12.1	A Quality Assurance Improvement Programme (QAIP) to be implemented for the Shared Service.	Service Manager, Shared Service	Dec 2015

11	14.7	Agree a nominated officer to undertake a self assessment for the Shared Audit & Investigation Service (anticipate Monitoring Officer at WBC).	Team Manager, Internal Audit (Shared Service)	Sept 2015
12	15.3	The Service Manager/Team Manager (Shared Audit & Investigation Service) to agree with the Audit Committee the proposed form of the PSIAS external assessment.	Team Manager and Service Manager (Shared Service)	Sept 2015
13	16.1	The Service Manager/Team Manager to report the results of the QAIP to the Audit Committee.	Team Manager and Service Manager (Shared Service)	March 2016
14	9.8; 20.14 b) and 28.4	The IT Audit Needs Assessment to be completed and updated in the Audit Plan and suitably skilled resources allocated to these engagements.	Team Manager and Service Manager (Shared Service)	Sept 2015
15	39.5	The updated Archiving Policy for the Shared Service to be approved and adopted.	Team Manager, Internal Audit (Shared Service)	Dec 2015
16	40.2	Audit engagement supervision to be recorded for the Shared Service where applicable.	Team Manager, Internal Audit (Shared Service)	Dec 2015
17	45.1	Auditors to report that engagements are "conducted in conformance with the PSIAS" when they comply/are applicable.	Team Manager, Internal Audit (Shared Service)	Sept 2015

Agenda Item 11.

TITLE	Corporate Risk Register refresh – May 2015
FOR CONSIDERATION BY	Audit Committee on 23 June 2015
WARD	None Specific
DIRECTOR	Andy Couldrick, Chief Executive

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 control environment and helps demonstrate the effective use of resources and sound governance. The council's Corporate Risk Register (CRR) demonstrates that the council is pro-actively identifying and managing its significant business risks.

RECOMMENDATION

Audit Committee is asked to consider and note the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR.

This was reviewed and updated following the January Corporate Risk Register refresh process.

Given the changing operating environment for the council Audit Committee should consider whether the risk appetite for each risk remains reflective of current conditions.

SUMMARY OF REPORT

As part of this CRR refresh service Risk Champions facilitated their refresh by meeting with Strategic Directors in order to update the risk register. As a result an update has been obtained over the control of each risk since the last refresh. This report summarises those changes and the refreshed CRR is presented to CLT for your consideration and comment. The updated CRR is available as Appendix A.

Background

The roles and responsibilities of Members and Officers with respect to Risk Management are detailed in the Council's Enterprise Risk Management Policy (ERMP) which was approved by the Audit Committee. The ERMP states that CLT is responsible for identifying and managing the Council's risks and opportunities, and for setting an example to staff. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis.

The Audit Committee is required to seek confirmation that the Council's strategic risks are being proactively managed. Strategic risks are essentially those risks that might occur and could prevent the Council from achieving its objectives as detailed in its Vision, Priorities and Corporate Plan.

Analysis of Issues

The following risks have been revised by the relevant Strategic Director to reflect recent changes/ developments:

- **Risk 14 - Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning** has been updated (see Risk 19 below)
- **Risk 19 – Risk that infrastructure requested by the council will not be required** has been removed. The impacts and mitigation have been incorporated into Risk 14 – Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning
- **Risk 29 - Risk of a disruption to services and internal business** has been added. This is to reflect the risks involved with the Council’s intention to have a new solution for ICT supply.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	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	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

There are no financial implications to be noted as a result of this refresh. However there are risks within the register that should they materialise, would have a significant financial impact on the authority.

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

A risk is an unexpected event or action that can adversely affect the Council’s ability to achieve its objectives and successfully execute its strategies. Risk Management is about managing opportunities and threats to objectives. Therefore good risk management will assist the Council in delivering its services and achieving its priorities.

Reasons for considering the report in Part 2

N/A

List of Background Papers

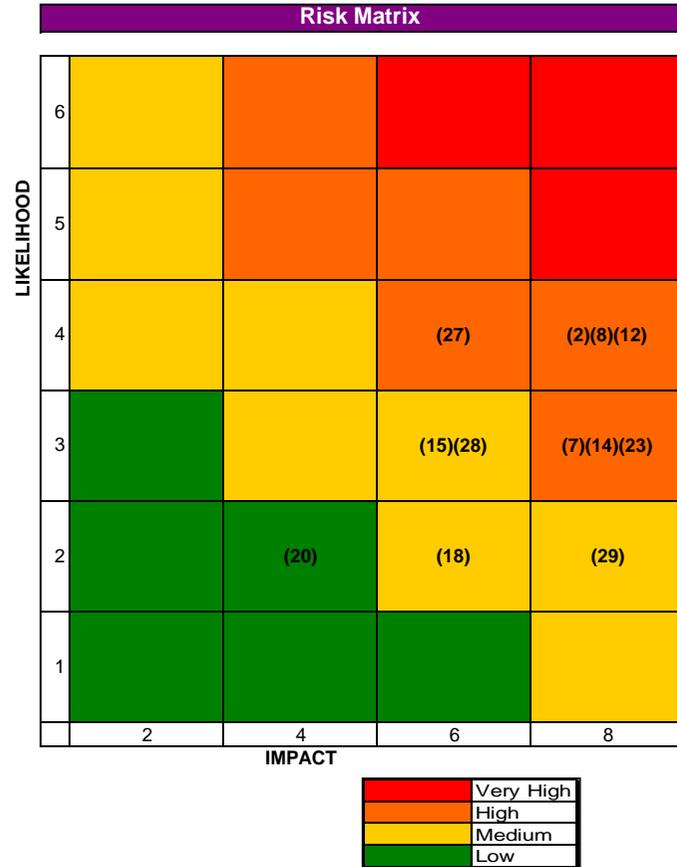
Previous Corporate Risk Register papers to Audit Committee Enterprise Risk Management Strategy and Policy

Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 11 June 2015	Version No. V1

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CORPORATE RISK REGISTER

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Risk No	Risk Description	Date of Entry
(1)	Risk of the organisation not buying into a shared agenda	Removed - May 12
(2)	Risk of inability to match supply and demand for school places	Nov-09
(3)	Risk that decisions are made on inaccurate/ incomplete information	Removed - Sep 11
(4)	Risk of Partnership working stagnating due to changes at a national level	Removed - Jun 12
(5)	Risk of delivering a tight budget in a sustainable way	Removed - Sep 11
(6)	Risk that the savings element of Transformation does not deliver	Removed - Mar 12
(7)	Risk of serious or significant harm to a vulnerable child or young person with whom the council is working	Apr-10
(8)	Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	Apr-10
(9)	Risk of Transformation drawing focus and resource away from the 'day job'	Removed - Mar 12
(10)	Risk that a business continuity incident occurs and the organisation fails to respond effectively	Removed - Jan 13
(11)	Risk of the loss of critical data and the impact on service delivery	Removed - Sep 11
(12)	Risk that essential transport infrastructure needs a significant short term investment for repairs	Nov-09
(13)	Risk that the benefits and outcomes of the transformed organisation are not understood by key stakeholders	Removed - Mar 12
(14)	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning	Aug-14
(15)	Risk of proposed changes to services, policies or contracts becoming subject to Judicial Review	Mar-11
(16)	Risk of potential loss of economies of scale from the use of alternative delivery vehicles	Removed - Sep 12
(17)	Risk of a residential care home provider failing leading to potential harm/ death of residents	Removed - Jan 12
(18)	Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data	Sep-11
(19)	Risk that infrastructure requested by the council will not be provided	Removed - May 15
(20)	Risk that the council does not have buy-in to successfully implement the corporate vision and priorities	May-12
(21)	Risk that changes to the Standards regime cause confusion over statutory requirements	Removed - Jan 13
(22)	Risk that the public health transition fails	Removed - Jan 13
(23)	Risk of Health and Safety Failure Leading to Death or Serious Injury	Sep-12
(24)	Risk of challenge regarding delegated Executive decisions	Removed - Jun 13
(25)	Risk that a decision regarding the changes to decision making is not reached	Removed - Jul 14
(26)	Risk that Change and Improvement does not deliver intended outcomes	Removed - Sep 14
(27)	Risk of failure of Health and/or Social Care system	Sep-13
(28)	Risk that Council is unable to cope with increased burdens associated with the Social Care Act	Sep-14
(29)	Risk of a disruption to services and internal business	May-15

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(7)	WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable children and young people in the Borough. The changing economic circumstance needs careful consideration and monitoring in order to ensure that there is minimal impact on the management of this risk.	Avoidable harm to a vulnerable child, Damage to reputation, Litigation, Low staff morale - loss of staff, unstable workforce - poor outcome for children, unmanageable budget., Recruitment and retention problems, Removal of senior managers and impact on continuity of delivery for children and families, Impact of being judged inadequate by Ofsted could lead to statutory/government intervention.	Officer Lead	Executive Lead	H	Ongoing improvements to internal quality assurance activity.
	JR		CHT	Further and ongoing improvements to Governance of Local Safeguarding Children Board (LSCB).		
	<i>A failure to follow procedures, equip the workforce with the right skills and training, or to deliver appropriate resources or services in a timely way raises a risk of serious or significant harm to a vulnerable child or young person with whom the council is working.</i>		Risk Appetite	Direction of Travel		
			L	—		
(8)	WBC has a duty to care for the needs of, and to provide safeguarding services for the most vulnerable adults in the Borough. It is vital to ensure continued focus on safeguarding systems (duty, response, QA of provider sector, procedure and strategy - Safeguarding Adults Partnership Board and interagency working, workforce training) The ongoing public sector finance constraints when set against continued demographic pressures requires careful judgement to ensure essential services remain sustainable - continued pressure to hold fees may result in workforce recruitment problems and/or provider failure.	Damage to reputation, possible external intervention, litigation, low staff morale, recruitment and retention problems, removal of senior managers.	Officer Lead	Executive Lead	H	Review of Quality Assurance and professional standards commenced, led by the Director
	SR		JMS	Risk and impact assessment will be central to the Department's Service Planning		
	<i>There is a risk of failure to safeguard vulnerable adults, either through systematic failure of duty of care, or an individual failure leading to the serious harm or death of a vulnerable adult.</i>		Risk Appetite	Direction of Travel		
			L	—		

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(12)	<p>Programmed and proactive investment and maintenance in infrastructure has been deferred and affected by the current financial situation. This is potentially a risk with regard to highways infrastructure.</p> <p><i>Risk that repair on bridge / road needs a significant short term investment.</i></p>	<p>Impact on transport infrastructure, possible health and safety issues, traffic Problems, adverse publicity / reputation damage, serious injuries or death's, significant financial cost, financial impact on other areas of council.</p>	Officer Lead	Executive Lead	H	Works planned for Loddon Flyover.
			HT	JK		Advanced protection of parapets at railway crossings to be reviewed.
			Risk Appetite	Direction of Travel		Formalised program of inspections
			M	—		Forward plan of capital works
(14)	<p>The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term.</p> <p><i>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning</i></p>	<p>Insufficient school places, Financial shortfall, Negative PR, Loss of rental income, Scheme slippage / downsizing,</p>	Officer Lead	Executive Lead	H	A project planned to make best use of Council's assets.
			GE	AP		Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan.
			Risk Appetite	Direction of Travel		Resource planning for Strategic Development Locations (SDL) infrastructure needs.
			H	—		

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(15)	Proposed changes to council service delivery, policies or contracts become subject to Judicial Review by interest groups such as parish councils, county councils, residents groups, developers and landowners etc.	The degree of influence that the council can exert over corporate proposals is reduced leading to poor quality & undesirable outcomes, financial cost and staff time required to defend actions becomes unsustainable, reputational damage, delays in the implementation of change.	Officer Lead	Executive Lead	M	Improved communication and joint working with Parish and Town councils. Town and Parish working group, Clerks Forum and Neighbourhood Plan support Strategic Development Partnership - WBC, SDL developers, HCA meets quarterly - forward planning and problem solving Improved community engagement - SDL Forums regularly meeting - interest groups, residents and developers.
	AC		KB			
	<i>Proposed changes to services, policies or contracts are quashed or set aside which reduces the influence the council can exert over corporately important projects.</i>		Risk Appetite	Direction of Travel		
			L	—		
(18)	The Council holds information of a confidential and sensitive nature. There have been past breaches of information security and it is an area under intensive scrutiny from the Information Commissioner. The primary risk is likely to concern paper based documents.	Imposition of a substantial fine, reputational damage/ bad media coverage, breach of contract and payment of damages, loss of future business, increased number of complaints, loss of trust from partner organisations/contractors.,	Officer Lead	Executive Lead	M	Continuing IGG programme of work & SIRO updates to CLT
	GE		PJ			
	<i>Loss of confidential or sensitive data, leading to a significant fine and reputational damage for the council, with a potentially damaging impact on the resident/ customer to which the information relates.</i>		Risk Appetite	Direction of Travel		
			L	—		

Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(20)	There needs to be clarity and agreement on how the vision and priorities will be interpreted and delivered. The vision and priorities need to be articulated through the corporate and service plans. The service and resource planning is being redesigned so it will align to the vision and priorities of the council enabling us to deliver on our priorities.	Organisational dissonance, disharmony across organisation, lack of clarity, different objectives / targets, delivery affected, fall behind neighbours, non-compliance with legislation.	Officer Lead	Executive Lead	L	Following Council approval of the Council Plan this will inform Service Plans for each area.
	AC		KB	Development of monitoring of the Council Plan Delivery (formerly Balanced Scorecard), linking specific performance indicators against the priorities listed in the Council Plan		
	<i>The council does not deliver its vision and priorities.</i>		Risk Appetite	Direction of Travel		
			L	—		
(23)	If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death.	Unlimited fine, Custodial Sentence, Publicity Order (Corporate Manslaughter only), Remedial Order (Corporate Manslaughter and HSWA), Removal of key staff, Reputational damage, Service delivery loss due to depleted resources, Damage to individuals wellbeing, An avoidable death or injury.	Officer Lead	Executive Lead	H	Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk areas
	AC		KB	Health and Safety staff to attend the Risk Management Group in order to strengthen the link between both practices		
			Risk Appetite	Direction of Travel		Risk Champions to facilitate the creation of Health and Safety risks on all Service Risk Registers
	<i>There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction.</i>		L	—		Health and Safety training to be included in the Management Induction Programme for all new managers
						Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties.
						Amendment of the Seeking Assurance CLT briefing document, to include the rationale behind decisions to include and exclude high risk service areas from the review

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Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(27)	Degree and scale of change to the health and social care system will destabilise or cause wholesale system failure. Health and social care integration requires complex changes to pathways, accountabilities and funding - risk to governance and systems in the migration (e.g. patient/client information, lack of clarity as to case management responsibility and agency response). Changes to Better Care Fund performance criteria could lead to unfunded liabilities for the council. Push to shift health care to community base and be less dependent on in-patient acute care could lead to additional pressure on social care budgets that might not be adequately compensated by savings, either because savings are targeted to community health services, acute services, or not realised. <i>Risk of failure of local health and/or social care system such that residents receive inadequate or unsafe response.</i> <i>Unsustainable additional financial pressure on adult social care budgets</i>	Poor service in health and social care systems, negative impact on population health, more costly interventions required, failure to meet legal responsibilities, reputational damage.	Officer Lead	Executive Lead	H	Local health and care integration project.
			SR	JMS		
			Risk Appetite	Direction of Travel		
			L	—		
(28)	The Care Act 2014 introduces profound and far reaching new duties on Local Authorities with regard to the wellbeing of the whole resident population, including from April 2015: - - information, advice and practical support to all residents regardless of means - assessing all qualifying need, whether or not currently met through informal care - assessing carer need within a much broader definition of 'carer' and making arrangements to meet qualifying need From April 2016: - - funding support to any person who has expended £72000 on his/her care arrangements regardless of means - Eligibility assessment and setting up of Individual Care Accounts to determine when any individual reaches the £72k care cap <i>The scale of the new duties and the systems required to support them pose a risk that the council will fail to meet demand. The uncertainty with regard to the cost of the reforms and the degree to which government will fund them places the council at risk of unsustainable budgetary pressures</i>	Failure to meet new duties/demand, Unsustainable budget pressure, Reputational damage., Inability to recruit/retain assessment staff.	Officer Lead	Executive Lead	M	Local Care Act implementation programme
			SR	JMS		Challenge to DoH funding determination
			Risk Appetite	Direction of Travel		15/16 funding gap met from additional contribution via BCF, adult social care baseline growth and reserves
			L	—		

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Ref	Risk (Cause & Consequence)	Potential Impacts	Risk Score		Further Actions to Mitigate Risk	
(29)	<p>The Council ICT is provided by Northgate Information Systems and the contract reaches a break point in Dec 2015. The Council intention is to have a new solution for ICT supply, a mix of private sector providers and in house provision. The plans for this Mixed Economy solution are well advanced and are of good quality but it is not possible to absolutely guarantee implementation without some consequences at this stage.</p> <p><i>If plans fail then the Council risks severe disruption to services and internal business.</i></p>	<p>Interruption of services, Inability to complete internal functions such as payments, Need to expend resources to carry out remedial action, Need to pay suppliers for emergency ICT services, Damage to reputation.</p>	Officer Lead	Executive Lead	M	Contained with project plans
			GE	PJ		
			Risk Appetite	Direction of Travel		
			L	—		

Agenda Item 12.

TITLE	Progress Report on Shared Audit & Investigation Service
FOR CONSIDERATION BY	Audit Committee on 23 June 2015
WARD	None Specific
GENERAL MANAGER	Andrew Moulton, Head of Governance and Improvement Services

OUTCOME

Internal Audit and Investigation services to Wokingham Borough Council are being delivered under a joint agreement between Wokingham Borough Council and The Royal Borough of Windsor and Maidenhead, achieving economies of scale and savings for both authorities.

RECOMMENDATION

The Audit Committee is asked to note the progress made by the Shared Service during its first six months of operation.

SUPPORTING INFORMATION

The new shared service commenced on 1 October 2014 for internal audit services with investigations joining on 1 December 2014.

The service is hosted and owned by Wokingham Borough Council and is regulated through a services agreement and Partnership Board.

The focus during the first six months has included:-

- Establishing a single management structure under the Service Manager, Shared Audit and Investigation, with 7 audit staff transferred from RBWM on 1 October 2014;
- Merging two teams to become 'One Team' and addressing cultural / process changes.
- Completing approximately 90% of the agreed WBC and RBWM Audit Plans, whilst going through the move to become a Shared Service;
- Improving, streamlining and aligning processes used to deliver the audit services through a Lean review resulting in efficiencies;
- Placing reliance, where possible, on other assurance mechanisms to inform audit work, thereby making best use of audit resource.
- Building reputation for the new Shared Service.
- Deploying audit staff across both council's to share leaner methodologies;
- Previous year's backlog of work cleared thereby ensuring a good starting position for delivery of the 2015/16 Audit Plans for both authorities;
- Ensuring sufficient audit resources were in place to complete the delivery of both Council's 2014/15 Internal Audit Plans whilst also completing planned audit work for Bracknell Forest Council;
- Transferring Corporate Investigation cases from RBWM on 1 December 2014,

- with no staff transferred to WBC from RBWM;
- Managing the secure migration of WBC and RBWM benefit fraud cases to the Department of Work & Pensions, ensuring data security and protection requirements were met;
- Preparing both RBWM and WBC Internal Audit Plans and Fraud Response Plans for 2015/16;
- Secured additional Investigations work for Oxfordshire County Council and Buckinghamshire County Council;
- Successfully recruiting to Senior Auditor, Senior Investigator and Investigator roles within the shared service. This brings the Corporate Investigation Team to full compliment.
- Achieving the 2015/16 financial savings as set out in the business case signed off by the Executive in June 2014.

The focus during the next period is as follows:-

- Greater service resilience
- Improved skills development
- Improved career development
- Improved recruitment & retention (especially compared to operating as a single authority service)
- Improved opportunity to generate additional business from other internal audit and corporate investigation contracts
- Greater economies of scale
- Reduced administrative costs
- Building a Business Case to secure further commercial opportunities.

Analysis of Issues

See above, which will be supplemented by verbal updates at the meeting from the Service Manager, Shared Audit & Investigation Service and the Head of Governance & Improvement Services.

The detailed performance of the Shared Audit and Investigation Service in respect of the 2014/15 WBC Audit and Corporate Investigation Plans during the past period is set out in a separate report on this agenda.

Reasons for considering the report in Part 2
N/A
List of Background Papers
Shared Service Business Case – Executive, June 2014

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Date 2/6/15	Version No. V1

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2015/16 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Monday 28 September 2015	1.	External Audit Annual Governance Report 2014/15	Ernst & Young
	2.	Financial Statements 2014/15	Graham Ebers, Director of Resources
	3.	Retrospective Purchase Orders	Rob Stubbs, Head of Finance
	4.	Shared Audit and Investigation Service Progress Report	Shared Audit and Investigation Service
	5.	Corporate Risk Register Update	Business Improvement
	6.	Internal Audit Charter Review	Shared Audit and Investigation Service

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Tuesday 8 December 2015	1.	External Audit Annual Audit Letter 2013/14	Ernst & Young
	2.	Treasury Management Mid-Year Report 2015/16	Graham Ebers, Director of Resources
	3.	Shared Audit and Investigation Service Progress Report	Shared Audit and Investigation Service
	4.	Corporate Risk Register Update	Business Improvement
	5.	Enterprise Risk Management Policy and Guidance	Shared Audit and Investigation Service

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Agenda Item 13.

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2015/16 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 10 February 2016	1.	Certification of Claims and Returns – Annual Report 2014/15	Ernst & Young
	2.	Treasury Management Strategy 2016/17	Graham Ebers, Director of Resources
	3.	Corporate Risk Register Update	Business Improvement
	4.	Internal Audit Plan & Strategy Refresh 2016/17	Shared Audit and Investigation Service
		Shared Audit and Investigation Service Progress Report	Shared Audit and Investigation Service