



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **WEDNESDAY 15 JUNE 2016 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 7 June 2016

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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

David Lee (Chairman)	Norman Jorgensen (Vice-Chairman)	David Chopping
Charles Margetts	Beth Rowland	Oliver Whittle

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 2016.	5 - 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	
6.	None Specific	CORPORATE RISK REGISTER REFRESH - MAY 2016 To consider the Corporate Risk Register refresh - May 2016.	13 - 26
7.	None Specific	EXTERNAL AUDIT PLAN 2015-16 To consider the External Audit Plan 2015-16.	27 - 44
8.	None Specific	EXTERNAL AUDIT PROGRESS REPORT - JUNE 2016 To consider the External Audit Progress Report – June	45 - 52

2016.

9.	None Specific	EXTERNAL AUDIT FEE LETTER 2016-17 To consider the External Audit Fee Letter 2016-17.	53 - 56
10.	None Specific	EXTERNAL AUDIT LOCAL GOVERNMENT SECTOR BRIEFING Q2 To receive the External Audit Local Government Sector Briefing Q2.	57 - 68
11.	None Specific	TREASURY MANAGEMENT ANNUAL REPORT 2015-16 To consider the Treasury Management Annual Report 2015-16.	69 - 102
12.	None Specific	SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT 2015-16 To consider the Shared Audit and Investigation Service Annual Report 2015-16.	103 - 118
13.	None Specific	ANNUAL GOVERNANCE STATEMENT 2015-2016 To consider the Annual Governance Statement 2015-16.	119 - 128
14.	None Specific	LOCAL CODE OF CORPORATE GOVERNANCE: DELIVERING GOOD GOVERNANCE IN WOKINGHAM BOROUGH COUNCIL To consider Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council.	129 - 134
15.	None Specific	RETROSPECTIVE PURCHASE ORDERS To receive a report regarding Retrospective Purchase Orders.	135 - 142
16.	None Specific	FORWARD PROGRAMME 2016-17 To consider the Forward Programme for the remainder of the 2016-17 municipal year.	143 - 144

Any other items which the Chairman decides are urgent

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

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 10 FEBRUARY 2016 FROM 7.00 PM TO 9.00 PM**

Committee Members Present

Councillors: Guy Grandison (Chairman), Paul Swaddle (Vice-Chairman), David Lee and Chris Smith

Also Present

Madeleine Shopland, Principal Democratic Services Officer
Catherine Hickman, Service Manager Shared Audit & Investigation Service
Martin Jones, Planning Accountant - Corporate Finance
Stephen McGrail, Group Finance Service Manager
Andrew Moulton, Monitoring Officer
Rob Stubbs, Head of Finance
Paul Ohsan Ellis, Team Manager - Internal Audit
Adrian Balmer, Ernst & Young
Helen Thompson, Ernst & Young
Michael Bateman, Customer Relations Officer
Lewis Borges, Information Services Team Leader
Jackie Whitney, Information Services Manager

42. APOLOGIES

Apologies for absence were submitted from Councillors Beth Rowland and Rob Stanton.

43. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 8 December 2015 were confirmed as a correct record and signed by the Chairman.

44. DECLARATION OF INTEREST

There were no declarations of interest received.

45. PUBLIC QUESTION TIME

There were no Public questions received.

46. MEMBER QUESTION TIME

There were no Member questions received.

47. CORPORATE COMPLAINTS UPDATE

The Committee received an update on Corporate Complaints.

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

- Information Services was a relatively new service located in the Customer Services Team. It had responsibility for the corporate complaints process, Freedom of Information requests, customer engagement and information security.
- Between April 2015 and December 2015 (Q1-3) 75 Stage 1 complaints had been received. Stage 1 complaints were investigated by the relevant Service Manager. 9 of these Stage 1 complaints had been escalated to Stage 2. Stage 2 complaints were investigated by the Information Services Team. 6 complaints had been received directly by the Local Government Ombudsman or the Housing Ombudsman. 13 complaints had been dealt with via early resolution.

- Health and Wellbeing and Environment had received the highest number of formal complaints with Health and Wellbeing receiving 53 and Environment 29.
- Reasons for complaints included inadequate services, delays, issues regarding processes and service not being provided.
- Since 2013 there had been a gradual reduction in the number of complaints received. In addition the percentage of complaints escalated to Stage 2 had decreased from 225 to 12%.
- Members were informed that a lot of work had been undertaken around the early resolution process. Services were encouraged to meet with or discuss concerns with customers to reduce dissatisfaction at an early stage. Housing and Children's Services in particular were pioneering the early resolution process.
- Work was being undertaken to reduce the number of complaints escalated from Stage 1 to Stage 2. Information Services were working with services by looking at draft responses to Stage 1 complaints and advising where improvements could be made.
- Officers were also looking at learning from complaints.
- Councillor Swaddle commented that understanding whether a complaint was valid and not the result of unrealistic expectations was vital to understanding the corporate complaints process. Members were advised that approximately 20-30% complaints were upheld.
- Jackie Whitney, the Information Services Manager explained the escalation process.
- In response to a Member question regarding 14 complaints relating to Brambles, the Committee was informed that any trends were monitored and could be highlighted in departmental risk registers.
- Councillor Swaddle requested that future updates include the number of customers affected by complaints.
- With regards to the complaint location, Councillor Grandison asked that future updates include at which stage each complaint was in the complaints process.

RESOLVED: That the update on Corporate Complaints be noted.

48. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE PROGRESS REPORT FEBRUARY 2016

The Committee received the Wokingham Borough Council Audit Committee Progress Report February 2016.

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

- Helen Thompson introduced Adrian Balmer to the Committee.
- The completion of the walkthrough of the key financial systems was scheduled for late February/March.
- With regards to the appointment of local auditors, Members had asked at the last Committee meeting whether shared arrangements with Parish Councils could be considered. The Department of Communities and Local Government (DCLG) had now confirmed the appointment of Smaller Authority Audit Appointments Ltd as the sector led body for smaller authorities.
- A key area of the Accounts and Audit Regulations 2015, was that from the 2017/18 financial year, the timetable for the preparation and approval of the accounts would be brought forward to a draft accounts deadline of 31 May and an audit deadline of

31 July. Members agreed that consideration should be given to ensuring that the Audit Committee meeting timetable fitted to this requirement for 2017 onwards.

- Councillor Smith questioned whether this change would have an impact on the cost of the audit going forwards and was informed that the first year that the change would apply was the last year of the current contract. It was possible that there would be changes to the fees after that point.

RESOLVED: That the Wokingham Borough Council Audit Committee Progress Report February 2016 be noted.

49. VALUE FOR MONEY: CODE OF AUDIT PRACTICE 2015

Helen Thompson, Ernst & Young, took Members through a presentation on the Value for Money: Code of Audit Practice 2015.

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

- Some amendments had been made to the Code of Practice.
- There remained a need to plan and conduct risk assessments and for the auditors to undertake sufficient work against any identified 'significant' risks.'
- The value for money approach had been updated.
- It was noted that the overall criterion had been amended.
- With regards to the Auditor's risk assessment, it was the risk that the auditor would reach an incorrect conclusion on the arrangements as opposed to the risk that arrangements were inadequate.
- The examples of potential significant risks were noted.
- Councillor Lee asked whether an easier to read version of reports could be produced to make them more accessible to the public. Members were advised that this comment was often fed back to CIPFA and that there was currently a project on this matter in progress.

RESOLVED: That the Value for Money: Code of Audit Practice 2015 be noted.

50. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014-15

Adrian Balmer, Ernst & Young, presented the Certification of Claims and Returns Annual Report 2014-15. The report summarised the results of Ernst & Young's work on Wokingham Borough Council's 2014-15 Housing Benefit claim.

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

- Members were informed that the Council administered the Government's housing benefits scheme for tenants and could claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.
- The certification guidance required auditors to complete more extensive '40+' or extended testing if initial testing identified errors in the calculation of benefit or compilation of the claim. 40+ testing might also be carried out as a result of errors that had been identified in the audit of previous year's claims.
- Errors had been found and extended testing carried out in two areas. These errors had been amended by the Council. They had had a small net impact on the claim and the extrapolated value of other errors had been reported in a qualification letter. The subsidy had increased by £404.
- Four overpayments had been misclassified between eligible error, attracting 40% subsidy, and Council, attracting 0% subsidy. Members were informed that the DWP

could decide to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. However, no response had been received yet from the DWP.

- It had been recommended that assessors should ensure that they correctly classified overpayment types.
- The Committee requested that they be sent information regarding the total of the errors.

RESOLVED: That the Certification of Claims and Returns Annual Report 2014-15 be noted.

51. CERTIFICATION OF CLAIMS AND RETURNS - CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES

The Committee considered a report regarding the Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.

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

- Councils were required to make appropriate arrangements for certain grant claims and government returns to be audited; Teachers Pensions Return, Pooling of Housing Capital Receipts Return and Providing External Assurance on Sub-Contracting Controls.
- Members were informed that there had been a minor error relating to the Pooling of Housing Capital Receipts Returns audit, in that the notional debt figure used in the complex overall calculation to determine how much of the sale receipts should be paid to DCLG had not been calculated using the 1999 notional market value of the houses. The current year market value had been used instead, which had led to a £6,000 error in the debt payable. This had since been corrected.

RESOLVED: That the Audit Certification Reports 2014/15 for the Teachers' Pension Return; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA) be noted.

52. TREASURY MANAGEMENT STRATEGY 2016/17

The Planning Accountant – Corporate Finance presented the Treasury Management Strategy 2016/17. The report detailed the statutory statements that the Council was required to approve prior to the start of the financial year, relating to treasury operations.

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

- The capital expenditure for 2016/17 was estimated at £141m. This included an estimated carry forward from 2015/16 of £56.0m. A large share of this carry forward related to Wokingham Housing Limited and the Wokingham Town Centre Regeneration.
- The funding of the capital expenditure for 2016/17 was as follows:
 - Developer's contribution £34m;
 - Grants and contributions £29m;
 - Reserves and capital receipts £5m;
 - Borrowing £73m
- The borrowing would be met by maximising use of cash flow (internal borrowing) and external loans when required at all times taking into account the interests rate forecasts. The borrowing consisted of £24m Town Centre regeneration; £15m

Wokingham Housing Limited; £23m forward funding; £10m general borrowing and £2m LED street lighting programme.

- The Capital Financing Requirement for 2016/17 was estimated at £273m.
- During 2016/17, a review would be carried out with Capita Asset Services on risk versus return, the result of which would be reported back to the Committee for consideration for the 2017/18 Treasury Management Strategy.
- Members were informed that the Government had provided councils with the flexibility of utilising Capital Receipts for qualifying expenditure. This was to enable councils to fund transformation and cost reduction programmes from capital receipts rather than revenue expenditure. For 2016/17 there were currently no programmes that had been identified for flexible use of capital receipts. As capital receipts were only expected to be approximately £150k each year for the next three years, it was anticipated that the number of projects that could be funded was limited.

RESOLVED: That the following be recommended to Council for approval;

- 1) the Capital Prudential indicators, 2016/17- 2018/19;
- 2) the Borrowing Strategy 2016/17;
- 3) the Annual Investment Strategy 2016/17; and
- 4) the Treasury Indicators: limits to borrowing activity 2016/17.
- 5) flexible use of Capital Receipts
- 6) that it be noted that a review of counterparties and the consideration of risk versus return was being reviewed and would be reported back to Executive in the year for consideration.

53. CORPORATE RISK REGISTER REFRESH - JANUARY 2016

Andrew Moulton, Monitoring Officer, presented the Corporate Risk Register refresh – January 2016.

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

- The Committee agreed that the new format made the Corporate Risk Register easier to read and understand.
- The following risks had been revised by the relevant Director to reflect recent changes/ developments:
- Risk 2 '*Likelihood of risk of inability to match supply and demand for school places*' had been reduced from 'Significant' to 'Low'.
- Risk 8 '*Impact of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility*' had been reduced from 'Critical' to 'Major'.
- With regards to Risk 14 '*Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning,*' further actions to mitigate risk were all complete and were now existing controls.
- Risk 28 '*Likelihood of inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act*' had been increased from 'Moderate' to 'Significant'.

- Risk 29 '*Likelihood of a disruption to services and internal business*' had been decreased from 'Significant' to 'Low'.
- The review date for 'Further Actions to Mitigate Risk' for Risk 7 'Risk of serious or significant harm to a vulnerable child or young person with whom the council is working' was the end of March 2017. Councillor Lee questioned if it should be earlier. He also suggested that the 'Further Action to Mitigate Risk' 'Development of a Multi-Agency Safeguarding Hub (MASH) to drive better co-operation between key partners' be reworded to read 'improvement' as opposed to 'development.' Andrew Moulton agreed to feed back these comments.
- Councillor Lee questioned whether complaints should be included on the Corporate Risk Register and was informed that these were often addressed at Departmental Risk Register level.
- Councillor Grandison requested that the Committee were provided with the Departmental Risk Registers during a training session to gain assurance that systems were operating correctly.

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

54. REVIEW OF THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION POLICIES

Members reviewed the Council's Anti-Fraud and Anti-Corruption Policies.

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

- The Council's Anti-Fraud and Anti-Corruption Policies had been reviewed.
- No changes had been made to the Prosecution and Sanction Policy and the Anti Bribery Policy.
- Minor amendments to reflect structural changes had been made to the Anti Money Laundering Policy, the Anti-Fraud and the Anti-Corruption Strategy and the Whistleblowing Policy.
- Guidance for who to contact for issues relating to schools had been made clearer in the Whistleblowing Policy.
- In the RIPA Policy and Procedures, the Authorising Officer had been updated.
- With regards to the Whistleblowing Policy, Councillor Lee proposed that 9.5.6.4 a) 'failure to promote' (examples of detriment those who have made a protected disclosure must not face), be expanded.

RESOLVED: That

- 1) the proposed amendments to the Anti- Fraud and Anti-Corruption Policy, Anti-Money Laundering Policy , Prosecutions and Sanctions Policy and Anti-Bribery Policy be agreed and recommended for approval to Council, via the Constitution Review Working Group;
- 2) the Regulation of Investigatory Powers Act (RIPA) Policy and Procedures be approved.
- 3) the proposed amendments to the Whistleblowing Policy be agreed and recommended for approval to Council, via the Constitution Review Working Group, subject to the amendment of 9.5.6.4 a), the wording of which is to be agreed by the Chairman of the Audit Committee.

55. TRANSPORT INFRASTRUCTURE ASSETS

Rob Stubbs, Head of Finance, updated the Committee on the Council's implementation of the Highways Network Assets (HNA) Project.

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

- It was noted that councils were required to produce more accurate information, largely financial, on Highways for the Government's Whole of Government Accounts return.
- The major effect of this change was that HNA assets would have to be measured on a Depreciated Replacement Cost basis from the 2016/17 financial year onwards, to replace the present method of valuing the assets at depreciated historic cost. Rob Stubbs went on to outline what this would entail.
- This would purely be an accounting adjustment and there would be no impact on the Council's cash balances or budgets.
- Members were assured that steps 8 and 9 of the timescale were on track and that step 10 had been removed as it was no longer applicable.

RESOLVED: That it be noted that the Council was on target to implement the Highways Network Asset valuation requirement for the financial year 2016/17 in line with the required timetable.

56. RETROSPECTIVE PURCHASE ORDERS

Members were updated on Retrospective Purchase Orders.

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

- This remained a high priority and was embedded within the monthly budget monitoring process.
- Reporting for December 2015 stood at 8%. A total of 44 RPO's were raised in the month covering some 40 suppliers. Members asked for the figure for January and were informed that it was approximately 9% but that this also included retrospective purchase orders which were not truly retrospective i.e. an invoice was issued prior to a purchase order being requested.
- It was noted that the value of retrospective orders raised during December 2015 was £76,269.10 and ranged from £6.28 to £16,111.66. Of the total, three were in excess of £5,000, none of which were in excess of £50,000. The largest RPO was raised for £16,111.66 against More House School which related to a purchase order being raised against an incorrect supplier.
- It was noted that the number of Purchase Orders raised to date increased in March. Councillor Lee questioned why this was and whether any areas tried to spend any remaining budget by the end of the financial year.
- The Committee agreed that it wished to receive an update on all purchase orders at its next meeting. Further consideration would then be given to the frequency of future updates on retrospective purchase orders.

RESOLVED: That the report and the actions being taken to reduce the incidence of raising retrospective purchase orders be noted.

57. 2016/17 INTERNAL AUDIT AND INVESTIGATION PLAN

Members considered the 2016/17 Internal Audit and Investigation Plan.

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

- The Council's 2016/17 Internal Audit and Investigation Plan detailed the proposed Internal Audit and Investigation activity.
- Councillor Lee had previously requested detailed information about the proposed audit activity. It was agreed that this be circulated to all Committee members. It was suggested that more detail be provided in future Internal Audit and Investigation Plans.
- Councillor Grandison asked how many audit days had been identified for contingency and was informed that it was approximately 40 audit days.

RESOVLED: That the 2016/17 Internal Audit and Investigation Plan be approved.

58. INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT 2015/16

Members received the Internal Audit and Investigation Q3 Progress Report 2015/16 which detailed the work of the team from the 1 April 2015 until 31 December 2015.

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

- Audits could receive four overall opinions, one being the best and four the worst.
- The Health and Safety risk review had received the third overall opinion.
- The Investigations Team had identified £310,298 of savings or potential recoverable losses up to 31 December 2015.
- Five council properties had been returned as a result of housing tenancy fraud.
- It was noted that the Debtors and Housing Rents had received 'Limited' opinions. Members agreed that it would be helpful if in future reports if an audit received the third or fourth opinion a brief summary of actions being taken to make improvements be included.

RESOLVED: That the Shared Audit and Investigation Service Progress Report be noted.

59. 2016/17 INTERNAL AUDIT CHARTER

The Committee considered the 2016/17 Internal Audit Charter.

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

- Members were informed that there was one amendment to the Charter which had been approved in September 2015.
- The amendment related to the right of access to information, records and officers of the investigation team when performing their work as directed by the Head of Internal Audit. It had been made as a result of the self-assessment against the CIPFA Counter Fraud Assessment tool which had highlighted that the right of access for investigation proposes was not explicit.
- Councillor Lee proposed that an additional responsibility, that the Service Manager Internal Audit & Investigation Service ensure that the senior leadership team and the Audit Committee were satisfied with the Audit Plans, be included in the Charter.

RESOLVED: That the Internal Audit Charter be approved subject to the proposed addition.

Agenda Item 6.

TITLE	Corporate Risk Register refresh – May 2016
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
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

That the 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 the Corporate Risk Register (CRR) refresh services have reviewed and updated 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 Audit Committee for your consideration and comment. The updated CRR is attached to this report (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 risk has been deleted from the Corporate Risk Register and will now continue to be managed as part of the Resources Directorate Risk Register:

- Risk 29 - Risk of a disruption to services and internal business.

Risk 20 (Risk that the council, embarking on a major change programme, the 21 Century Council, fails to maintain service delivery standards, to deliver associated savings, or to effect the change, in structures and behaviours, to deliver the vision for the new Council's operating model) has been updated from "Risk that the council does not have buy-in to successfully implement the corporate vision and priorities" to reflect the 21 Century Council project.

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

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 31 May 2016	Version No. V1

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Corporate Risk Register
 Summary Page
 Updated 31/05/16

APPENDIX A

Key

Current Score:	VH = Very High	H = High	M = Medium	L = Low
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Risk Matrix

		2	4	6	8
LIKELIHOOD	6				
	5				
	4			28	12
	3			27	7,8,14,23
	2			20	2,29
	1				
		2	4	6	8
		<u>IMPACT</u>			

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
2	<p>Risk of inability to match supply and demand for school places</p> <p>The number of statutory school places required is uncertain. High rates of housebuilding will lead to upward pressure but the recent fall in the birth rate and the opening of new schools in Reading will reduce demand in the primary and secondary sector respectively. Changing school popularity can have a marked effect where there continues to be some surplus capacity across Wokingham and surrounding local authorities. There are sufficient places in 15/16 and current projects to add further capacity in 16/17 and in future years. Thereafter, there are three significant risks:</p> <ul style="list-style-type: none"> • That meeting the revenue start-up costs of new schools will result in cuts in school and central services provision to the detriment of standards. • That rising capital costs will 	<ul style="list-style-type: none"> • Insufficient places • Reputation damage • Quality of education affected • Resources lost to council due to development of free schools /academies • impact on family stress if children not educated locally/split siblings. • Impact on road congestion • Infrastructure affected • Perceived as less attractive place • Increased demand for transport and associated cost pressures 	<ul style="list-style-type: none"> • Schools subject to conditions survey / annual survey of sufficiency vs projected need • Local Core Strategy approved by Executive • Annual capital programme signed off • 2013 agreed action plan implemented as part of the approved Primary Provision Strategy • Liaison with other LAs for constant learning about funding regimes for academies and free schools • High profile project plans • Secondary school provision strategy implemented • Active development of new Arborfield secondary school • Primary school provision strategy 2015 to 2018 agreed • Primary School implementation plan phase 1 agreed 	<p>Active delivery of Primary School implementation plan phase 1 JR Review date 30/09/2016</p>	JR	CHT	8	2	M	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
	<p>lead to resources being diverted to school projects to the detriment of other WBC capital projects.</p> <ul style="list-style-type: none"> • That new sites will not be available in a timely fashion to meet local need. <p>Risk of inadequate infrastructure and capacity, along with the associated effect on learning and achievement.</p>									
7	<p>Risk of serious or significant harm to a vulnerable child or young person with whom the council is working</p> <p>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.</p> <p>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</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Policies and Procedures • Practice Framework implementation • Quality Assurance System • Line Management • Case Supervision • Training and CPD • Recruitment and retention strategy embedded • Strengthened LSCB support • Implementation of agreed recommendations from Children's Services Safeguarding internal audit and quality assurance reports 	<p>Ongoing improvements to internal quality assurance activity. JR Review date 31/03/17</p> <p>Assurance of impact and embedding of our Practice Framework JR Review date 31/03/17</p> <p>Further and ongoing improvements to Governance of Local Safeguarding Children Board (LSCB). JR Review date 31/03/17</p> <p>Innovations Project fully implemented to strengthen Social Work practise through implementation of "Signs of Safety", Family Star and Attachment Theory JR Review date 31/03/17</p> <p>Development of a Multi-Agency Safeguarding Hub (MASH) to drive better co-operation between key</p>	JR	CHT	8	3	H	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
	council is working.	inadequate by Ofsted could lead to statutory/government intervention.		partners. JR Review date 31/03/17						
8	<p>Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility.</p> <p>WBC has a statutory duty to meet the care needs of, and safeguard the most vulnerable adults in the Borough. It is vital to ensure continued focus on Safeguarding systems and procedures.</p> <p>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.</p> <p>There is a risk of failure to safeguard vulnerable adults, either through systemic failure, or an individual</p>	<ul style="list-style-type: none"> • Damage to reputation and public confidence in services • Possible external intervention from statutory agencies such as DH, CQC or Police) • Disruption of service provision • Litigation • Impact on staff morale • Recruitment and retention problems • Removal and replacement of senior managers 	<ul style="list-style-type: none"> • Policies and Procedures (multi-agency) in place • Referral system and assessment processes • Management and supervision of staff • Staff Training and awareness • Regular Social Care Pathway meetings and updates • Duty response • Good recruitment and retention of social care professionals • Interagency working • Berkshire West Safeguarding Board operating effectively • Dedicated Safeguarding Manager Safeguarding Team and & Safeguarding Prevention posts • Ongoing widely accessible Safeguarding Training programme and events • Widely publicised Safeguarding Protocol and procedures • Clear lines of accountability for safeguarding adults • Regular safeguarding reports to HWLT 	<p>Lessons learnt review to be done following recent provider failure</p> <p>SR Review date 30/09/16</p>	SR	JMS	8	3	H	L

12	Risk that essential transport infrastructure needs a significant short term investment for repairs	<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>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Wokingham Highways Alliance Risk Register in place • Formal inspection regime of all critical infrastructure • Use of professional consultants • Infrastructure upkeep investment funds set out in MTFP • Updating and improving the transport asset management • Plan to inform necessary investment • Financial checks on main contractors every 6 months • Ongoing annual applications for capital funding, in order that remedial works can be undertaken. 	<p>Works planned for Loddon Flyover in July/August MD Review date 31/09/16.</p> <p>Advanced protection of parapets at railway crossings to be reviewed. MD Review date 31/09/16</p> <p>Forward plan of capital works MD Review date 31/09/16</p> <p>Formalised program of inspections MD Review date 31/09/16</p>	HT	JK	8	4	H	M
14	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning	<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>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning.</p>	<ul style="list-style-type: none"> • Insufficient school places • Financial shortfall • Negative PR • Loss of rental income • Scheme slippage / downsizing 	<ul style="list-style-type: none"> • Reduce capital programme in line with delay in receipts • Increase borrowing • Closer monitoring of on-site schemes • Capital programme • Refreshed corporate asset management plan • Annual capital bidding system and capital programme in place • Programme Board for Town Centre Regeneration Project • Forward Funding • Asset Review Programme • Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan. • Resource planning for Strategic Development Locations (SDL) infrastructure needs. 	<p>Greater precision around capital expenditure and receipt profiling. Martin Jones / Mark Cupit Review date 30/06/16</p>	GE	AP	8	3	H	H

18	<p>Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Information Security Management System - governance for this area including SIRO & IGG roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Suite of policies in this area (recently updated) including Clear desk policies & IT policies • Mandatory refresher programme in place for Q2 • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail option now rolled out • Document marking scheme 	<p>Continuing IGG programme of work & SIRO updates to CLT</p>	GE	PJ	6	2	M	L
20	<p>Risk that the council, embarking on a major change programme, the 21 Century Council, fails to maintain service delivery standards, to deliver associated savings, or to effect the change, in structures and behaviours, to deliver the vision for the new Council's operating model</p> <p>There needs to be clarity and understanding, among officers and politicians, about the new model and its implementation. Buy-in and commitment from staff will be necessary as ways of working change. Effective leadership, management, engagement and training will be critical factors.</p>	<ul style="list-style-type: none"> • Service delivery failure • Organisational dissonance • Confusion or discontent within the organisation • Lack of clarity • Non-compliance with legislation 	<ul style="list-style-type: none"> • C21 Council Business Case and Implementation Plan • Joint Board • C21C Member-Officer Working Group • Council Plan • Programme and project management • Performance management framework • ECLT & CLT ownership and leadership • Monthly highlight report on Joint Board progress 	<p>To be confirmed: Risk Register for C21C programme under development</p>	AC	KB	6	2	M	L

	Risk that the council does not deliver its vision and priorities as a result of service failure.										
23	Risk of Health and Safety Failure Leading to Death or Serious Injury		<ul style="list-style-type: none"> • Risk profile - Awareness of high risk areas • Ongoing compliance with statute policies and procedures • Seeking Assurance programme • Compliance with Health and Safety policies and procedures • Management and Member performance monitoring reporting from Health and Safety staff • Contracts with third parties include a Health and Safety clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations • Incident reporting, following Health and Safety process should death or serious injury occur • Training of managers and staff - Health and Safety training • Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area • Review across the Council of the arrangements in place to protect staff against violence at work 	<p>Health and Safety training to be included in the Management Induction Programme for all new managers VG Review date 31/7/16</p> <p>Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties. VG Review date 30/9/16</p> <p>To provide a report of findings to CLT along with recommendations for improvement VG Review date 30/06/16</p>	AC	KB	8	3	H	L	
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Enforcement notices and HSE fines for intervention • Unlimited fine • Custodial Sentence • Publicity Order (Corporate Manslaughter only) • Remedial Order (Corporate Manslaughter and HSWA) • Publicity Order (Corporate Manslaughter only) • Removal of key staff • Reputational damage • Service delivery loss due to depleted resources • Damage to individuals wellbeing • An avoidable death or injury 									
27	Failure of Health and Social Care system		<ul style="list-style-type: none"> • Local multi-agency project board steering integration projects • Oversight by Health and Well-Being board • Healthwatch scrutiny 	<p>Local health and care integration project.</p> <p>SR Review date 30/09/16</p>	SR	JMS	6	3	M	L	
	Degree and scale of change to the health and social care system combined with	<ul style="list-style-type: none"> • Vulnerable residents receive inadequate or unsafe responses and 									

	<p>financial pressure on health and adult social care budgets in the face of increasing pressures on services from demographic pressures and new Care Act duties will destabilise or cause wholesale system failure.</p> <p>Health and social care provision requires significant and sometimes complex pathways, accountabilities and funding. There are significant co-dependencies with other health and support services. Pressure on Health Services may result in a shift to meeting unfunded higher levels of need through social care provision which the service is unable to meet.</p> <p>Equally failure of social care services to meet care needs in the community may significantly impact on local health services.</p>	<p>services.</p> <ul style="list-style-type: none"> • Risk to health and wellbeing of vulnerable people • Negative impact on health of local population. • More costly unplanned or acute interventions required. • Failure to meet legal responsibilities. • Reputational damage. • Unfunded service/contract liabilities. 	<ul style="list-style-type: none"> • Berkshire West Integration Board coordinating wider health and social care system • Regular and direct Senior Management scrutiny of service pressures and provision • Close working between the Council and Health Partners at all levels • Ongoing collaboration and joint working with health service partners 							
28	<p>Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act</p>	<ul style="list-style-type: none"> • Oversight by Health and Well-Being board 	<p>Challenge to DoH funding determination, to secure funding to meet additional burdens</p>	SR	JMS	6	4	H	L	

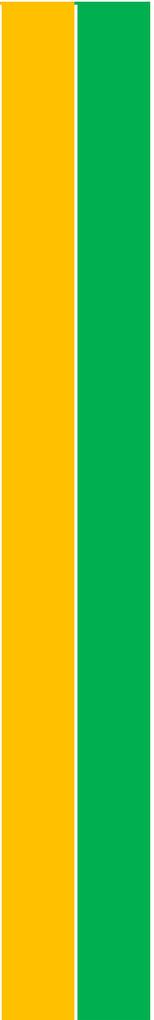
The Care Act 2014 introduced new national eligibility criteria with a threshold lower than that previously operated by the council. In consequence the council acquired statutory responsibilities to meet a wider range of needs for a larger number of people. The Care Act also introduced new duties to provide services for carers.

The scale of the new duties and the systems required to support them pose a risk that the council will fail to meet demand for services. The additional cost of the meeting the new eligibility criteria and uncertainty over the degree to which government will help to meet this cost places the council at risk of unsustainable budgetary pressures and failure to meet its statutory duties.

- Failure to meet new duties/demand
- Inability to carry out timely assessment of vulnerable adults
- Inability to fund services to meet statutory needs of all residents
- Risk to health and wellbeing of vulnerable people
- Unsustainable budget pressure
- Reputational damage
- Inability to recruit/retain assessment staff
- Failure to meet legal responsibilities.

- Dedicated finance and strategy resource to provide project capacity
- Ongoing monitoring of impact of Care Act Care Act
- Review of operational process and practice to ensure efficient allocation of resources
- Ongoing review of cost of providing services and identifying commissioning efficiencies

SR Review date 31/08/16



Wokingham Borough Council

Year ending 31 March 2016

Audit Plan

31 March 2016

Ernst & Young LLP



Building a better
working world

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

24 March 2016

Dear Committee Members,

Audit Plan

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 2015-16 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

The plan summarises our initial assessment of the key risks we consider in developing an effective audit for the Council, and outlines our planned audit strategy in response.

We welcome the opportunity to discuss this plan with the Committee on 15 June 2016 and to understand whether there are other matters which it considers may influence our audit.

Yours faithfully

Helen Thompson
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit 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

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 2016 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

Our audit will also include the mandatory procedures that we must perform in accordance with applicable laws and auditing standards.

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.

2. Financial statement risks

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

At our meeting, we will seek to validate these with the Audit Committee.

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.</p> <p>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, focusing particularly on accruals and provisions; and ▶ evaluating the business rationale for any significant unusual transactions.
Incorrect Capitalisation of Revenue Expenditure	
<p>The risk of manipulation of expenditure streams lies primarily in the property plant and equipment additions transactions as there is risk around incorrect capitalisation of revenue expenditure.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing proposed accounting treatment in 2015-16; ▶ conducting journal testing to identify movements between revenue and capital expenditure; ▶ testing a sample of additions to ensure that they have been correctly capitalised; and ▶ reviewing the capital programme and assessing if the value of additions is in line with the amount specified in the programme.
Other financial statement risks	
IPSAS 16 & IFRS 13 – Fair Value Measurement	
<p>Changes to IPSAS 16 and IFRS 13 with respect to Investment Properties and Fair Value valuation respectively have come into effect for the financial year 15-16.</p> <p>The new IPSAS 16 standard could change the classification from an Investment Property if the property is used to facilitate the delivery of services or production of goods as well as to earn rental income or capital appreciation or both.</p> <p>The Council had approximately £32 m of Investment Property as at 31 March 2015 and any re-assessment to comply with IPSAS 16 or IFRS 13 could result in a material re-classification between Investment Properties and Other Land and Buildings.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties; ▶ reviewing the accounting treatment on any proposed adjustments as a result of the implementation of IPSAS 16 and IFRS 13; and ▶ testing a sample of assets to ensure that any reclassified assets are accurately reflected in the financial statements of the Council.
Better Care Fund	
<p>The Better Care Fund (BCF) is a major policy initiative between local authorities, CCGs and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. The intention is that partners use the pooled fund to jointly commission health and social care services at a local level.</p> <p>From 1 April 2015, the BCF has been set up as a pooled budget between Wokingham Borough Council and NHS Wokingham CCG. There are two pools, one is hosted by the Council and the other is managed by the CCG.</p> <p>Local BCF arrangements may be complex and varied, involving a number of different commissioning,</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ examining relevant agreements entered into by the Council; ▶ reviewing proposed accounting treatments for the BCF and the disclosures made under relevant accounting standards. As part of this, we will consider what relevant activities are to be undertaken and whether participants have control, either jointly or solely, over the arrangement; ▶ performing testing to gain assurance that the Council has accounted for its share of the BCF, particularly respective assets and liabilities in a manner consistent with the agreement and prevailing accounting standards; and

governance and accounting arrangements. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool.

- ▶ consideration of the robustness of governance arrangement for oversight and assurance over BCF arrangements.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind the Audit Committee 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 risks.

3. Value for money risks

We are required to consider whether the Council has proper arrangements to secure economy, efficiency and effectiveness on its use of resources. For 2015-16 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council's arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering the Council's proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that is already required, and to report on through documents such as the Annual Governance Statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, we have not identified any risks which we view as relevant to our value for money conclusion. We will keep this under review and report any changes to our risk assessment to the Audit Committee.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice 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 an audit report that covers:

Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland). We will audit the consolidated Group Accounts but do not believe that the individual entities within the Group are significant for the purposes of audit scoping. Further details of this consideration can be found at Appendix C.

We report as required to the Audit Committee by exception on the Council's Annual Governance Statement and other accompanying material, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has proper arrangements to secure economy, efficiency and effectiveness on its use of resources. This criterion is divided into three sub-areas for consideration:

- ▶ informed decision-making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

In arriving at our value for money conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls and testing the operation of controls;
- ▶ reliance on the work of experts on pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the Council has identified the following key process where we will seek to test key controls:

- ▶ housing benefits

Analytics

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

- ▶ help to identify specific exceptions and anomalies which we can then test using 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 reporting where issues are raised that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	EY Pensions team/ Barnett Waddingham
Business rates provision	Analyse local
Property Valuation	EY Property valuation team/Gerald Eve
Treasury Management Fair Values	Capita/EY Valuation team

In accordance with auditing standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of the specialist's work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 **Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks (section two) and value for money risks (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 Annual Governance Statement; and
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 **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 Council's financial statements is £6.7 million, based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £337,000 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.

4.5 **Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Wokingham Borough Council is £ 105,617, together with an estimated fee of £7,183 for the certification of the housing benefits subsidy claim.

4.6 Your audit team

The engagement team is led by Helen Thompson, Executive Director, who has significant local government experience. Helen is supported by Adrian Balmer, 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.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts return. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015-16. These dates are determined to ensure our alignment with PSAA'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 to communicate key issues from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	February to March 2016	15 June 2016	Audit Fee Letter Audit Plan
Risk assessment and setting of scopes	March 2016	15 June 2016	Audit Plan
Testing routine processes and controls	March to April 2016	15 June 2016	Progress Report
Year-end audit	August to September 2016		
Completion of audit	September 2016	28 September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and the overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	5 December 2016	Annual Audit Letter
Housing Benefit Claim	October to November 2016		Certified claim
Reporting on Certification work	December 2015	5 December 2016	Annual certification work report

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

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate promptly with the Council on all significant facts and matters which have a bearing on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the audit planning and conclusion stages, 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 governance on matters in which the Council has an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ Any principal threats to objectivity and independence identified by EY including consideration of all relationships between the Council, its 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. ▶ Information about EY's general policies and processes to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ 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 we have 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 for them. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with the Audit Committee 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 the Council and its affiliates for the provision of services during the reporting period are disclosed and analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters which may reasonably be 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 the entity. Examples include where we have an investment in the 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 are in accordance with PSAA Terms of Appointment. No non-audit work is planned at this stage.

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.

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

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 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. We therefore confirm that EY is independent and the objectivity and independence of Helen Thompson the audit engagement Director, and the audit engagement team have not been compromised.

5.3 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 June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015-16 £	Scale fee 2015-16 £	Outturn fee 2014-15 £	Explanation
Opinion Audit and VFM Conclusion	105,617	105,617	140,822	The audit fee represents a 25 per cent reduction on the prior year as it recognises savings from the last Audit Commission retendering exercise
Total Audit Fee – Code work	105,617	105,617	140,822	
Certification of claims and returns ¹	7,183	7,183	12,140	The planned fee is based on actual benefit certification fees for 2013/14 but incorporates a 25 per cent reduction.
Non-audit work	0	0	0	

All fees exclude VAT.

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

- ▶ officers meet the agreed timetable of deliverables;
- ▶ there are no significant deficiencies in the operating effectiveness of the internal controls for key processes outlined in section 4.2 above;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion are unqualified;
- ▶ the Council provides appropriate quality documentation; and
- ▶ the Council has an effective overall 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 any 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 PSAA.

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>	▶ Audit Plan
<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 	▶ Report to those charged with governance
<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 	▶ Report to those charged with governance
<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 	▶ Report to those charged with governance
<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 	▶ Report to those charged with governance
<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 	▶ Report to those charged with governance
<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 	▶ Report to those charged with governance

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 ▶ Report to those charged with governance
<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
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<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 ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if necessary</p>

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 2015-16, 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.

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Wokingham Borough Council

Audit Committee Progress Report

June 2016



Audit Committee

15 June 2016

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee where we have a specific update for the Committee. For other key audit deliverables you can expect from us throughout the audit please see the timetable attached at the end of this report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

Yours faithfully

Helen Thompson
Executive Director
For and behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update 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..

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council in April 2015.

Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

We completed our walkthrough of the key financial systems in February/March 2016. We did not identify any significant issues from this work.

Our controls work is substantively complete and we will complete the remainder of this work in June.

There are no significant matters arising from our initial planning meetings or work that we need to bring to your attention at this stage.

We have continued to liaise with officers on their plans in relation to the new requirements for highways network assets and the Better Care Fund. We met with the Head of Finance and the lead for the Better Care Fund to discuss the proposed accounting treatment for the Better Care Fund. We agreed that we would take a look at the proposed treatment prior to the production of the financial statements. We have now received that response and are currently reviewing it. We will be happy to provide a verbal update to the Committee.

We also met the Capital Accountant and the internal valuer to discuss their proposed treatment of the change in respect of IFRS 13 Fair Valuation and the impact on Investment Properties. We have completed early testing in this area and have no issues to report at this time.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We have now finalised the exact dates for our audit visit, and have had early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, is presented as a separate item to this Audit Committee. As noted in our previous progress report to the February Audit Committee, we shared the audit plan with senior officers before the end of March 2016. Officers did not have any comments on the audit plan.

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

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money

We carried out our initial risk assessment in early 2016. We are happy to report that at the planning stage of the audit we did not identify a significant value for money risk at Wokingham Borough Council.

Our assessment will continue throughout the audit and should anything come to our attention which may change this assessment we will update this Committee in due course.

Housing Benefits 2014/15

At the February Audit Committee we presented our report on the work completed on the 2014/15 Housing Benefits subsidy claim. We noted in the report that we identified errors in relation to the incorrect classification of overpayments. We also noted that the errors were corrected by the Council and had a small net impact on the claim.

Following questions from Committee members in respect of that report and a specific request from the Committee that they be supplied with information regarding the total of the errors we are happy to provide the following information:

- We identified 1 error in our initial sample of 20 Rent Allowance cases which was classified to contain some periods as eligible overpayments. However, testing confirmed that this was actually Local Authority error

In line with the guidance we were required to test a further sample of 40. Of that 40:

- One case where income had been incorrectly assessed as following a system update, this should have been classed as Local Authority Error.
- One case where income had been calculated weekly instead of monthly, leading to an overpayment to be classed as Local Authority Error.
- One case where an input error lead to the claim being paid immediately, thereby causing an overpayment due to Local Authority Error.
- One case that had been set up incorrectly and then cancelled, but lead to an overpayment which should have been classed as Local Authority Error.

The value of the errors found ranged from £0.91 to £191.28 and the benefit periods ranged from 1 week to 7 weeks. The total value of errors was £534 out of a sample value of £21,017. This equated to 2.54 %.

When extrapolated over the total value of the affected cell, as per the subsidy claim at £522,738, this returned an adjusted value of £13,378.

Discussions with key officers have indicated that there has been no subsequent follow up from the Department for Work Pensions (DWP) on the audited 2014/15 claim and therefore there is no further risk to the Council in respect of monies being clawed back by the DWP in respect of the extrapolated errors. We can also confirm that there has been no request by the DWP to EY to complete follow up work on the 2014/15 subsidy claim and can therefore conclude that subject to issues being brought to our attention we will not be completing further work on the claim.

Local appointment of auditors

We included in our last progress report details about the decision of the Department of Communities and Local Government (DCLG) not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. This will mean from 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. We should also note that there is no restriction on your current auditor re-tendering for the new contract. We provided a further verbal at the February Audit Committee and since that meeting further information is emerging in respect of the re-tendering process. We will therefore be happy to include a verbal update at the June Audit Committee.

It is our intention that we will continue to keep you regularly updated throughout the process as more information becomes available to us and we will of course be happy to take any further questions you may have at the Audit Committee on 15 June.

Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	June 2015	Completed
51 Risk assessment and setting of scope of audit	Dec 2015 - March 2016	Audit Plan	June 2016	Completed
Testing of routine processes and controls	Feb-March 2016	Progress Report	June 2016	Completed
Year-end audit	August- September 2016	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start during August 2016.

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Andy Couldrick
Chief Executive
Wokingham Borough Council
Shute End
Wokingham
RG40 1BN

29 March 2016

Ref: Fee Letter 16-17

Direct line: 07974 007 332

Email: HThompson2@uk.ey.com

Dear Andy

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Wokingham Borough Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- audit of the financial statements;
- value for money conclusion; and
- whole of Government accounts.

For Wokingham Borough Council we have set our indicative fee at the scale fee level. This indicative fee is based on certain assumptions, including:

- the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- our accounts opinion and value for money conclusion are unqualified;
- officers meet the agreed timetable of deliverables;
- prompt responses are provided to our draft reports;
- the Council provides appropriate quality of documentation; and

- the overall control environment remains effective.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work at each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	105,617	105,617	140,822
Certification of housing benefit subsidy claim	11,787	7,183	12,140
Additional fee in respect of housing benefit subsidy claim	-	-	3,576
Total	117,404	112,800	156,538

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative fees will be billed in four quarterly instalments of £29,351.

Audit plan

We expect to issue our audit plan in early 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Helen Thompson
Executive Director

HThompson2@uk.ey.com

Tel: 07974 007 332

Adrian Balmer
Manager

ABalmer@uk.ey.com

Tel: 07880 807 449

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours sincerely



Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP

cc. Graham Ebers, Director of Finance and Resources
Rob Stubbs, Head of Finance
Guy Grandison, Chairman of the Audit Committee

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Local government audit committee briefing

March 2016

Contents at a glance

Government and economic news

**Accounting, auditing and
governance**

Regulation news

**Key questions for the
audit committee**

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

Devolution

In EY's report 'From Whitehall to Townhall Preparing for devolution to England's city regions' it is noted that the UK has lagged behind other countries in decentralising its governance. But in recent years, 'localism' has gained momentum. In the last Parliament, the coalition government took a number of steps to empower city regions – through the creation of local enterprise partnerships, and City and Growth Deals – and the pace of change is quickening.

Large parts of England have started to agree Devolution Deals, which transfer powers in policy areas such as housing, planning and transport, education, employment, skills, health and policing. Eight deals have been announced so far, with five metro areas agreeing to directly elected mayors, and almost every other part of the country is involved in discussions. The recent progress is testament to the credibility that local government has established – with both the government and the public – as local leaders with a vision for local economies and wise stewards of public funds.

The UK is at an early stage of the devolution journey; much work still needs to be done. But the prize could be considerable. If managed well, it could help stimulate local economies to achieve higher levels of job creation and growth; improve public service outcomes through better local coordination of resources and funding; revitalise local democracy through more accountable governance; and improve the sustainability of public finances.

In this short report we look at progress so far and outline the factors that have driven success in winning more powers. We reflect on the readiness of different areas to make a success of devolution and speculate on the long-term impact on local government.

The debate will continue for some time to come, and lessons will be learned along the way. Drawing on our experience of working with a number of local authorities and cities, we are committed to helping facilitate debate and sharing best practices to help local government deliver the best services and outcomes to their communities and citizens.

Retention of business rates

The Government has announced that for 2016/17, Councils across England expect to collect £23.5 billion from business rates. This is an increase of approximately £400 million, in part it is believed this is due to an increase in the number of new businesses across the country.

Under existing rules, councils are expected to retain £11.75 billion of the rates collected; however, in the 2016 Budget, George Osborne indicated that from 2017, 100% business rates retention would be piloted in Greater Manchester and Liverpool City Region, and that in London the share retained would be increased.



Government and economic news

Budget 2016

16 March saw the publication of Budget 2016.

On public finances, the Chancellor announced that a departmental efficiency review was expected to identify a further £3.5 billion of savings in 2019/20. Employer pension contributions for public sector pensions are also set to increase from 2019/20, with a reduction in the public service pension scheme discount rate.

Some other announcements included:

- ▶ All schools are expected to either become academies by 2020, or to have an academy order in place to convert by 2022.
- ▶ New mayoral devolution deals will be agreed with the West of England, East Anglia and Greater Lincolnshire. Additional deals will be agreed with Greater Manchester and Liverpool City Region; including working towards the devolution of criminal justice powers. Previously agreed deals will also receive unringfenced funding totaling £2.86 billion to support local priorities.
- ▶ Starting from 1 April 2017, business rates will be cut for half of all properties. Small business Rate Relief will be permanently doubled from 50% to 100%, and the threshold from which this applies will be increased so that it applies to properties with a rateable value of £12,000 and below. The threshold for the standard business rates multiplier will also be increased to those with a rateable value of £51,000. The budget comments that local government will be compensated for the loss of income as a result of these measures.

- ▶ From 2020, business rates annual indexation will be based on CPI rather than RPI. The government will also aim to introduce more frequent business rate revaluations. The government intends to outline options for achieving this in a discussion paper.
- ▶ The government will work with local authorities across England to standardise business rate bills and to provide ratepayers with the option of receiving and paying bills online by April 2017.
- ▶ The government plans to support Local Government Pension Scheme administering authorities' plans to establish a smaller number of British Wealth Funds by combining assets into larger investment pools by 2018. These pools are expected to deliver annual savings of £200-300 million or more.

Off-Payroll working in the public sector

Budget 2016 included an announcement that it would reform the 'intermediaries' legislation' for public sector engagements.

This legislation dates back to 2000, and requires individuals who are working through an intermediary company to pay approximately the same tax and National Insurance contributions as they would if they were direct employees. Typically, intermediary companies have been an individual's own limited company. There is widespread non-compliance, perhaps because many find these rules confusing.

From April 2017, the liability to pay the correct employment taxes will transfer from the worker's own company to the public sector body that is paying the company. These changes, which are intended to be introduced by the 2017 Finance Bill, will be subject to consultation.



Accounting, auditing and governance

PSAA Corporate Plan

Public Sector Audit Appointments (PSAA) published its Corporate Plan 2015-2018 in early 2016. PSAA was set up to manage the audit contracts which were originally let by the Audit Commission, and to put arrangements in place to support the new audit regime established through the Local Audit and Accountability Act 2014.

The Corporate Plan sets out three options available to audited bodies for appointing auditors from the financial year 2017/18 and onwards for NHS bodies and smaller local authorities; and from the financial year 2018/19 and onwards for principal local authorities and criminal justice bodies:

- ▶ Undertake an individual auditor procurement and appointment exercise.
- ▶ Undertake a joint audit procurement and appointing exercise with other audited bodies, e.g., those in the same locality.
- ▶ Join a 'sector led body' arrangement.

The Local Government Association's subsidiary, the Improvement and Development Agency (IDeA), has said that it wishes to secure the establishment of a sector led body to support audit appointments. It also considers that PSAA would be well placed to fulfil this role. Since local government bodies need to appoint auditors for the 2018/19 financial year by 31 December 2017, arrangements for a sector led body will need to be in place in 2016 to prepare for contract letting.

The Corporate Plan also includes the PSAA's current plans around redistribution of surplus fees to audited bodies:

1. For NHS bodies, the anticipated amount for redistribution is approximately 10% of 2016/17 scale audit fees, with expected payments in 2017.
2. For local government bodies, the anticipated amount is approximately 15% of 2017/18 scale audit fees, with expected payments in 2018.

The redistribution is subject to confirmation and approval from the PSAA Board.



Accounting, auditing and governance

Flexibility on use of capital receipts in Local Government

In the 2015 Spending Review, the Government announced its intention to give local authorities the right to use capital receipts on the revenue costs of certain projects.

Two final directions for local government were issued in March 2016; one covering police and crime commissioners, and the other covering councils and fire authorities. There is also a general direction with further guidance.

These direct local government bodies to treat expenditure which is 'designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector

delivery partners' as capital expenditure for expenditure incurred for the three financial years commencing 1 April 2016.

Expenditure which is treated as capital under these directions can only be funded from capital receipts which have been received in the same time period.

The general direction also states that each authority will need to disclose a Strategy which sets out the individual projects that will be funded or part funded through capital receipts flexibility. This should be presented to full Council or the equivalent either as part of the annual budget setting process, through the Mid-Term Financial Plan or equivalent, or as part of the Efficiency Plan.

The strategy setting out these projects should be prepared in advance of the start of each financial year where possible, or presented to full Council or the equivalent as soon as possible.



Regulation news

The state of health care and adult social care in England

The Care Quality Commission has, based on a body of evidence across health and social care, published the above report aiming to give a full picture of the quality of care in England and identify and share key aspects of high-quality care/driving improvement.

Amongst the key messages in the report are:

- ▶ **Safety** – safety remains the biggest concern across all services, with 13% of hospitals, 10% of adult social care services, and 6% of primary medical services rated as inadequate for safety. The report highlights the rating of significant numbers of services as 'requires improvement'. Safety is seen to be affected by various factors including, ineffective safety and risk management systems, failure to fully investigate and learn from incidents, and, (in hospitals and adult social care) concerns with the adequacy of staffing numbers and skill mix.
- ▶ **Delivering quality under pressure** – efficiency savings, to meet the more complex needs of an older, changing population, at the same time as ensuring that the health and care system remains sustainable for the future, nearly 60% of adult social care and over 80% of GP practices were rated good or outstanding. At the same time the report highlights variation in quality, including between different services from the same provider and between different providers.

- ▶ **Ability to improve** – the report highlights an increase in enforcement actions from 4% in 2013/14 to 7% in 2014/15, and that initial results show that, on re-inspection, more than half of services were able to improve their ratings within six months.
- ▶ **What it takes to be outstanding** – the report emphasises that high-quality care can be provided under constrained financial conditions through managing resources well. Good and Outstanding providers are not simply relying on more money, the report highlighting that over 90% were also good or outstanding for their leadership.
- ▶ **Data and transparency** – across all sectors, continuing development of better data, which is available to all stakeholders is seen as important, particularly for adult social care and community and mental health services. In the absence of such information, understanding the quality of care beyond inspections, (or assessing the impact that changes are having on quality of care) is difficult.



Regulation news

Personalised commissioning in adult social care

The National Audit Office (NAO) has recently published a report on commissioning in adult social care. Although personal budgets became mandatory for all eligible users from April 2015 under the Care Act, the NAO has concluded that the Department of Health (DH) requires a deeper understanding of implementing personalised commissioning in the best ways.

Long-term community care accounted for £6.3 billion of local authority spend in 2014/15, and the DH has plans to extend this.

The NAO also highlighted a difference in expectations between the DH and local authorities. Local authorities expect that savings can be made by personalising care, whereas DH anticipates improved value for money through improved outcomes. The Care Act guidance noted that responding to the needs of users and their desired outcomes could increase the cost of care, whereas

some local authorities are finding personalising commissioning challenging because of their need to reduce overall spending.

Current monitoring arrangements do not allow the Department to wholly understand how personal budgets and direct payments can lead to improve outcomes. Nor has it looked at how personal budgets can work when finances are challenged.

Amyas Morse, Head of the NAO, said:

“Giving users more choice and control over their care through personal budgets and direct payments can improve their quality of life, but much of the positive evidence for personalised commissioning of adult care services is old. The Department now needs to gain a better understanding of the different ways to commission personalised services for users, and how these lead to improvements in user outcomes.”



Regulation news

Highways Network Asset

CIPFA has published a consultation on the **Draft Code of Practice on the Highways Network Asset** (HNA Code) with a closing date of 6 April 2016.

The draft HNA Code includes the following definition of the Highways Network Asset:

Highways Network Asset is a network and grouping of interconnected inalienable components, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use. The interconnected network is made up of carriageways, footways and cycleways and the structures, street lighting and other assets that are directly associated with them.

CIPFA is producing a series of briefings to support local authorities in the implementation of the new measurement requirements. The second briefing in this series is available from the CIPFA website, and includes guidance on reporting requirements for 2015/16. It notes that the requirements to restate opening balances at 1 April 2015 and prior year comparatives in the financial statements for 2016/17 relating to the Highways Network Asset has now been removed. Please liaise with your auditor to discuss how this will affect your organisation.

2016/17 work programme and scales of fees

The PSAA has published the work programme and scale of fees for 2016/17 audits of principal audited bodies. This set out the work the auditors will undertake for 2016/17 with associated scale fees for individual audited bodies. The key points are:

- ▶ No change to the overall work programme for 2016/17.
- ▶ Scale fees for 2016/17 have been set at the same level as the 2015/16 fee.

<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/>



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

What assumptions have we included regarding business rates income in our medium term financial plan, and how is this impacted by the changes announced in Budget 2016, such as the increase in Small Business Rates Relief?

Have we determined how we will procure our external audits for the financial year 2018/19 and onwards?

Have we discussed and considered the advantages and disadvantages of the three possible approaches to procurement?

Have we considered how we can use capital receipts to support revenue projects?

Have we considered whether our savings requirements in the short and medium term impact on our capacity to meet the objectives of Personalised Commissioning and how we can address this?

Have we considered the impact of the Highways Network Assets, and are we prepared for this change?



Find out more

Devolution

The full EY report is available at
<http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-From-Whitehall-to-Townhall>

Retention of business rates

See the government announcement at:
<https://www.gov.uk/government/news/record-business-rates-predicted-as-devolution-revolution-kicks-off>

Budget 2016

The full budget report is available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508193/HMT_Budget_2016_Web_Accessible.pdf

See also EY's Budget alerts at:
<http://www.ey.com/UK/en/Services/Tax/Budget>

Off-payroll working in the public sector

Read more about the government's proposed changes at:
<https://www.gov.uk/government/publications/off-payroll-working-in-the-public-sector-reforming-the-intermediaries-legislation>

PSAA Corporate Plan

To read the Corporate Plan in full – visit:
<http://www.psa.co.uk/wp-content/uploads/2016/01/PSAA-Corporate-Plan-2015-2018.pdf>

Flexibility on use of capital receipts in Local Government

See the final guidance and the issued directions at:
<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>

The state of health care and adult social care in England

Visit: <http://www.cqc.org.uk/content/state-care-201415>

Personalised commissioning in adult social care

Find out more at:
<https://www.nao.org.uk/press-releases/personalised-commissioning-in-adult-social-care/>

Highways network asset

Read the consultation and respond via the CIPFA website at:
<http://www.cipfa.org/policy-and-guidance/consultations/hna-consultation>

For further guidance on the implementation of the Highways Network Asset, see:
<http://www.cipfa.org/policy-and-guidance/local-authority-highways-network-asset>

2016/17 work programme and scales of fees

For further information:
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/>

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ED None

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TITLE	Treasury Management Annual Report 2015-16
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director of 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 2015/2016; and
- 2) The actual 2015/2016 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 2015/2016 and the actual Prudential Indicators for 2015/16.

The report highlights the Council's treasury position as at 31 March 2016, sets out the treasury management decisions taken during 2015/16 and shows that the council has complied with its strategy and the prudential indicators that were set in February 2015.

The key actual prudential and treasury indicators including are investment and loan portfolio can be found in the main body of this report.

Headlines form the 2015/16 Treasury Management Annual Report are:

Capital

Actual capital expenditure 2015/16 - £42.2m

Capital financing requirement (CFR) @ 31/03/2016 - £211.8m

Capital financing requirement (CFR) movement (14/15 to 15/16) increase of £14.8m

Borrowing

Total external borrowing 2015/16 - £132.2m

New (Interest Free) loans from the Local Enterprise Partnership – £0.6m

Investments

Current investments @ 31st march 2016 - £63.3m
breakdown

- Fund managers - £21.5m
- In house - £30.0m
- Internal loans (WHL etc.) - £11.8m

Returns on investments 15/16 - £0.9m (Average rate of return is 1.01%)

The Director of Finance and Resources confirms that as at 31st March 2016 there have been no breaches of the treasury strategy during 2015-16.

List of Appendices:

Full Annual Treasury Management Report for 2015/16 is shown in Appendix A.
Councils Prudential and Treasury Indicators are shown in Appendix B
Councils Current Loan Portfolio Appendix C –including HRA
Councils Counter Party Limits at the 31st March 2016 are shown in Appendix D
Councils Current Investments at the 31st March 2016 are shown in Appendix E
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?
2015-16	£46.8m 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

List of Background Papers

None

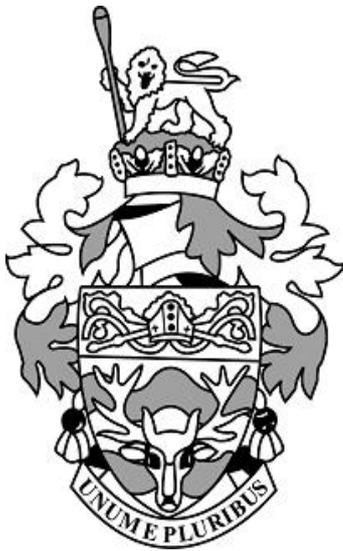
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Date 26-05-16	Version No. 3

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WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Strategy Annual Treasury Management Report 2015-16

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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

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 2015/16. 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).

During 2015/16 the Executive has received the following reports:

- The annual treasury strategy at its meeting on the 19th February 2015.
- A mid-year treasury update report at its meeting on the 28th January 2016.
- 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 2015/16

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.

Table 2.1

General Fund	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Capital expenditure	38,774	102,341	42,237
Financed in year	(28,218)	(54,670)	(20,650)
Unfinanced Capital Expenditure	10,556	47,671	21,587

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

Table 2.2

HRA	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Capital expenditure	6,561	8,969	4,557
Financed in year	(6,561)	(8,969)	(4,557)
Unfinanced Capital Expenditure	0	0	0

Note: The variance between actual and budget was due to a decrease in the programme due to 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 2015/16 unfinanced capital expenditure (see tables 2.1 and 2.2 on the 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 2015/16 MRP Policy (as required by Communities and Local Government (CLG) Guidance) was approved as part of the Treasury Management Strategy Report for 2015/16 on 19th February 2015.

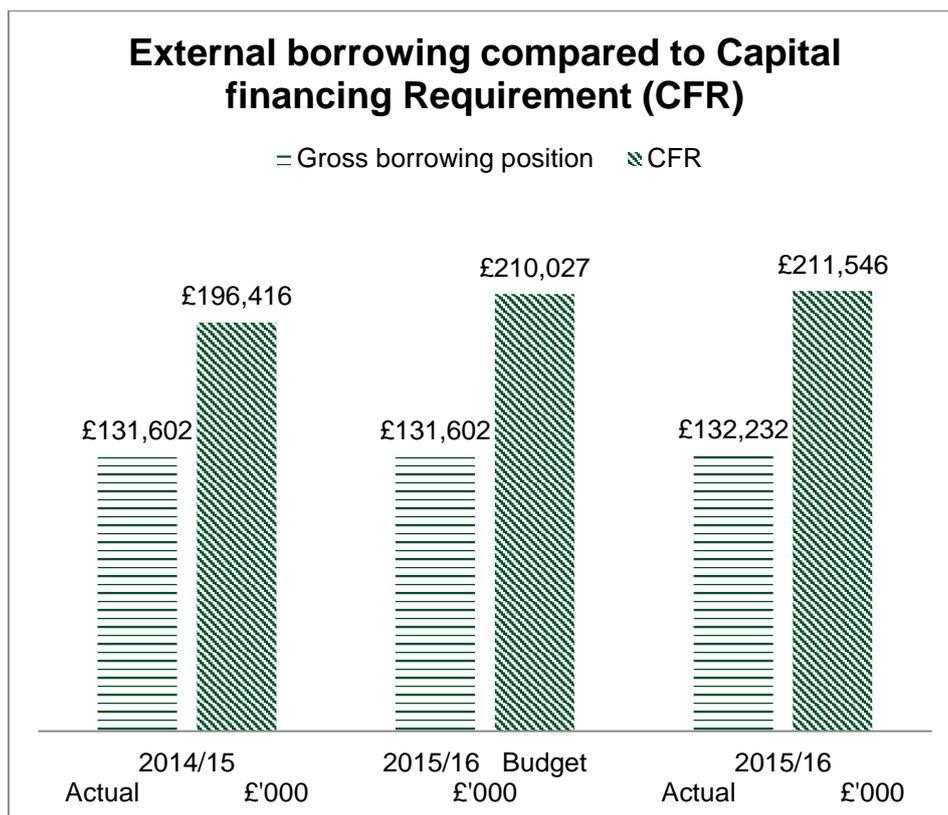
The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However, no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR: General Fund	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Opening balance	95,255	102,795	101,948
Add unfinanced capital expenditure (as above)	9,964	16,881	20,152
Less MRP/VRP	(3,024)	(3,310)	(3,024)
Less PFI & finance lease repayments	(247)	(215)	(264)
Closing balance	101,948	116,151	118,812

CFR : HRA	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Opening balance	93,876	93,876	93,876
Add unfinanced capital expenditure (as above)	0	0	0
Repayment of Loan Principal	0	0	912
Closing balance	93,876	93,876	92,964

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.



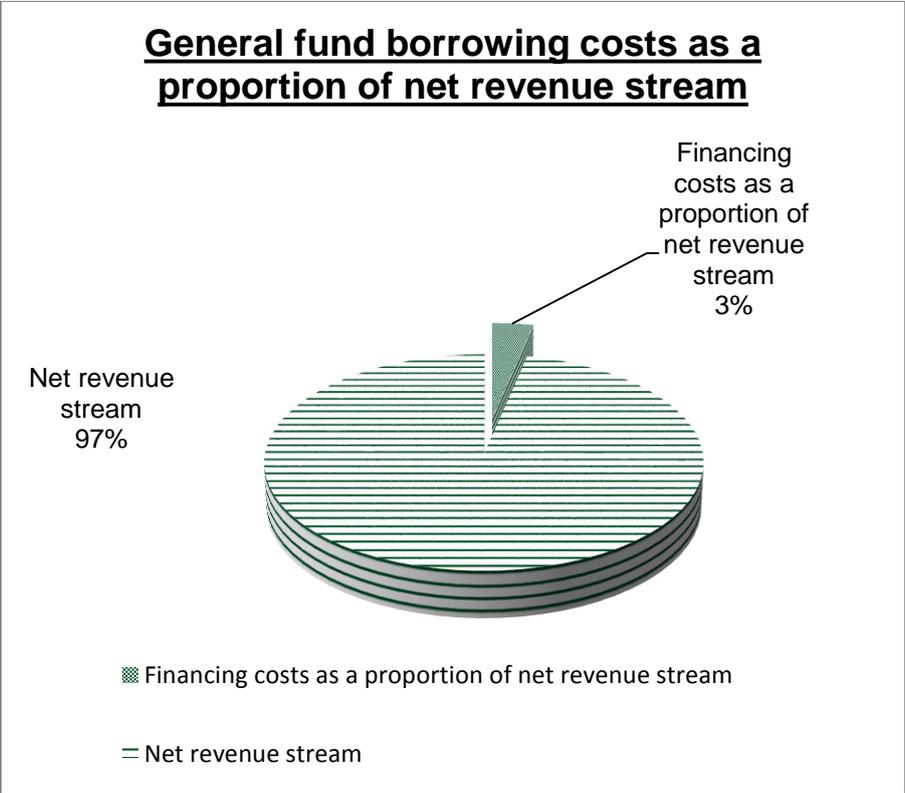
The authorised limit is the “affordable borrowing limit” required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

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.

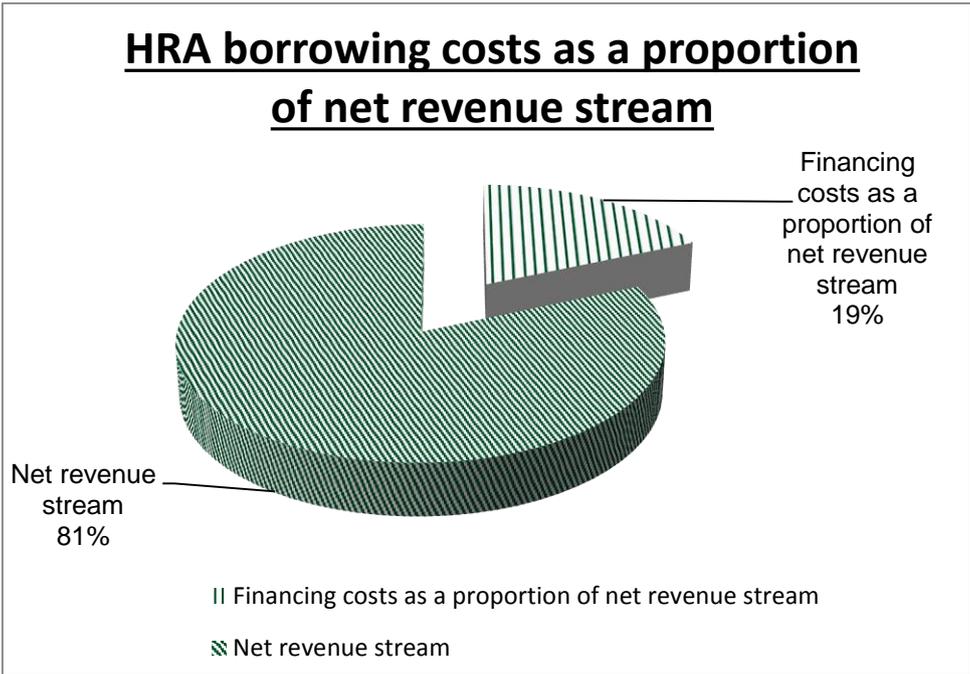
The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit and operational boundary.

	2015/16 £'000	2015/16 Actual £'000	Variance £'000
Authorised limit	223,000	132,232	90,768
Operational boundary	200,000	132,232	67,768

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



The graph above demonstrates that 3% of the councils revenue budget is set aside to service debt financing costs (i.e. external interest on loans)



The graph on the previous page demonstrates that 19% of the HRA revenue budget is set aside to service debt financing costs (i.e. external interest on loans).

4) Treasury Position as at 31st March 2016

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 2015/16 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

General fund	31 March 2015 Principal £'000	Rate/ Return %	31 March 2016 Principal £'000	Rate/ Return %
Fixed rate funding:	23,151		23,781	
-PWLB	23,031	4.49%	23,031	4.49%
-Market	0		0	
-Local Enterprise Partnership (interest free)	120		750	
Variable rate funding:	23,433		23,433	
-PWLB	0		0	
-Market	23,433	4.27%	23,433	4.27%
Total debt	46,584		47,214	

HRA	31 March 2015 Principal £'000	Rate/ Return %	31 March 2016 Principal £'000	Rate/ Return %
Fixed rate funding:	84,451		84,451	
-PWLB	84,451	2.85%	84,451	2.85%
-Market	0		0	
Variable rate funding:	567		567	
-PWLB	0		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
	%	%	%	%
Aberdeen Asset Management	0.16	0.33	0.55	0.74
Royal London Asset Management	0.06	0.17	0.33	0.49
In-house*	0.29	0.58	0.86	1.15
Total (Weighted Average)	0.24%	0.49%	0.74%	1.01%

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

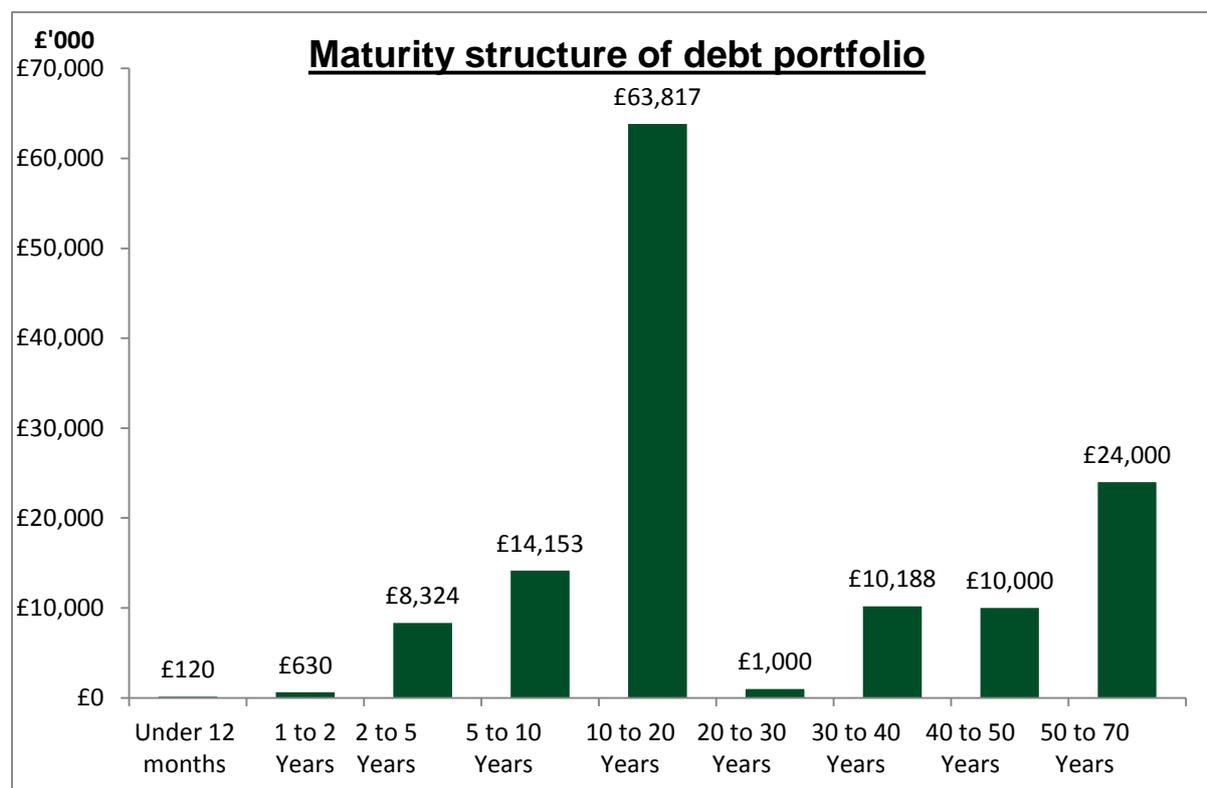
Portfolio Valuation as at 31 March 2016

Portfolio Valuation as at 31 March 2016 (completed by Capita Asset Services)	Nominal / Principal £'000	Fair Value £'000
Investments		
Fixed Term Deposits	30,000	30,085
Total	30,000	30,085
External Debt		
LOBO loan - Fixed rate	24,000	32,485
PWLB loan - Maturity	107,482	119,040
Local Enterprise Partnership loan	750	750
Total	132,232	152,275

* 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:

	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Investments			
Longer than 1 year	0	10,000	0
Under 1 year	59,735	40,000	51,544
Total	59,735	50,000	51,544

The exposure to fixed and variable rates was as follows:

	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Interest rate exposures: Debt			
Upper limit on fixed rate exposures - Net Position	107,602	180,000	107,482
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 of £14.5m) and Slippage in Wokingham Housing Limited (Anticipated loan not required of £17.1m)

	2014/15 Actual £'000	2015/16 Budget £'000	2015/16 Actual £'000
Interest rate exposures: Investment			
Upper limit on fixed rate exposures - Net Position	(48,867)	(80,000)	(39,114)
Upper limit on variable rate exposures - net position	(9,546)	(40,000)	(12,430)

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

5) The Treasury Strategy for 2015/16

The expectation for interest rates within the strategy for 2015/16 anticipated a low but rising Bank Rate (starting in quarter 1 of 2016) and gradual rises in medium and longer term fixed borrowing rates during 2015/16. 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 in internal borrowing of 4.95% since 2014/15. Internal borrowing as at 31st March 2016 stands at 33% of the CFR. (See appendix B)

Although this has increased our internal borrowing, this has generated a larger saving on external borrowing interest costs.

As mentioned above the internal borrowing is evaluated thought out the year to help in calculating when it would be financially beneficial to take out external loans.

6) The Economy and Interest Rates

Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3, 2015 but soon moving back to quarter 1, 2016. However, by the end of the year, market expectations had moved back radically to quarter 2, 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

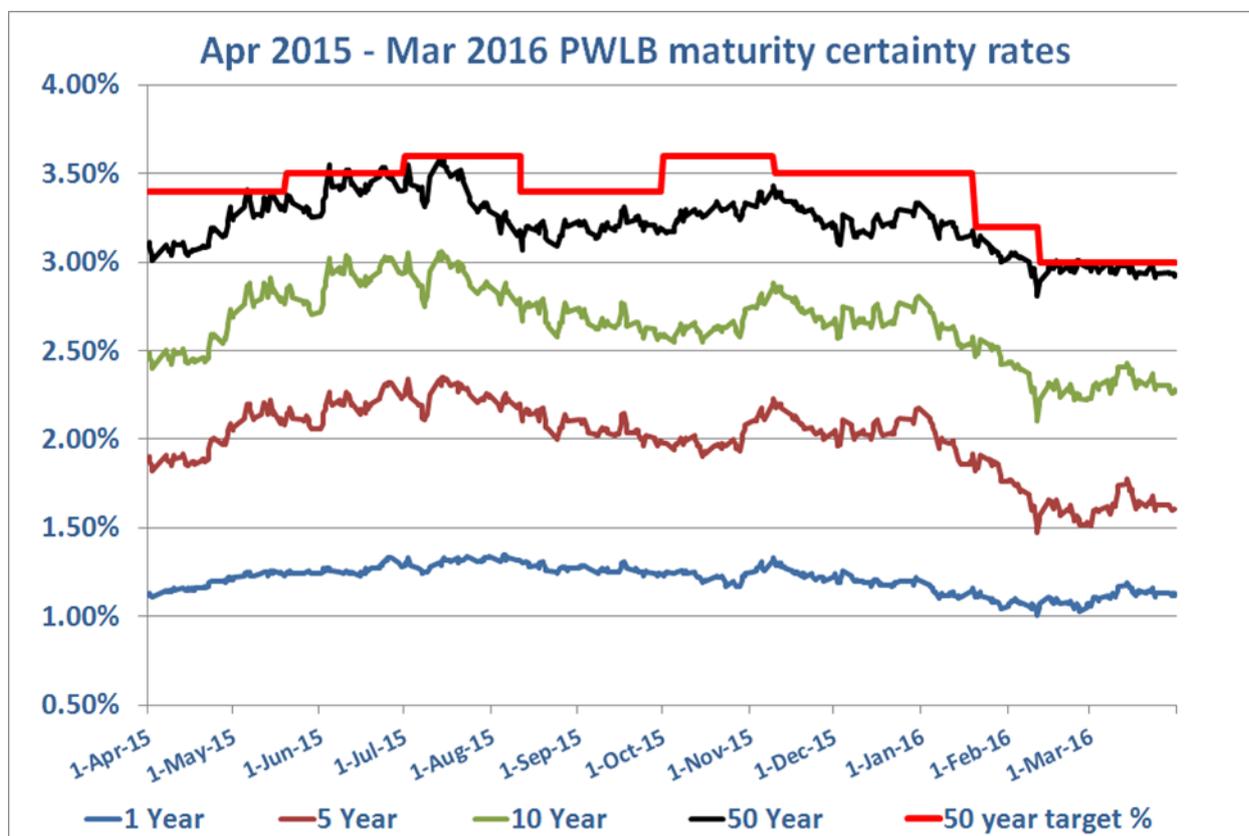
Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, UK growth in 2015 has been disappointing, falling steadily from an annual rate of 2.9% in quarter 1, 2015 to 2.1% in quarter 4. The Funding for Lending scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which resulted in money market investment rates falling materially. These rates continued at very low levels during 2015/16.

The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.

The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to promise of a referendum on the UK remaining part of the EU on the 23rd June 2016. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

7) Borrowing Rates in 2015/16

The graph for PWLB certainty maturity rates is shown below, 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 2015/16

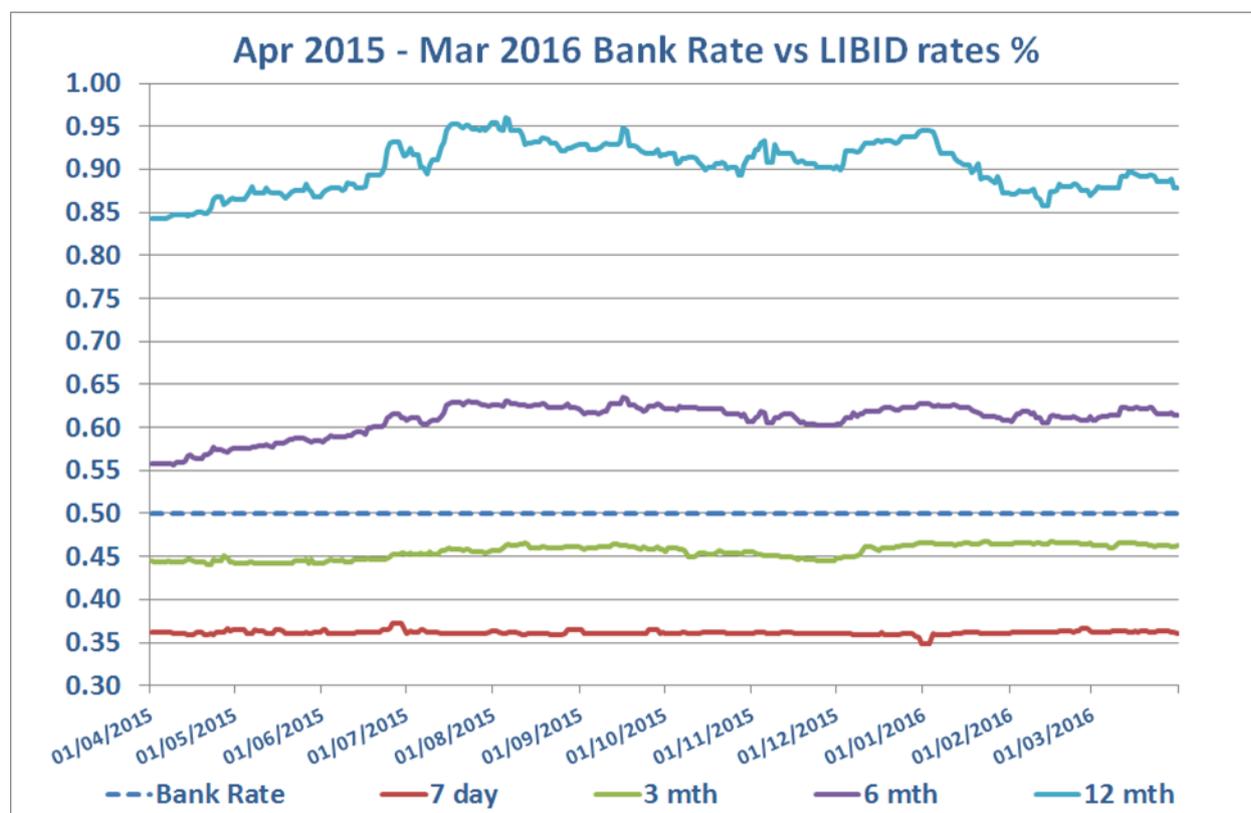
Borrowing

During 2015/16 no new PWLB and market Loans have been taken out. £630,000 of Local Enterprise partnership interest free loans were taken out.

Repayments – No repayments were actioned in 2015/16

9) Investment Rates in 2015

The 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 2016 but then moved back to around quarter 3 2017 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 2015/16

The Council's investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Council on 19th February 2015. 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.

Interest received from Investments held by the Council

	2015-16 Budget As per the TMSS £'000	2015/16 Actual £'000	%
Interest on investments			
RLAM		60	7.0%
Aberdeen Asset Management *		70	8.2%
In House **		729	84.8%
Total	726	859	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 2016
(Not previously reported Appendix A)

	2015/16 Budget £'000	Quarter 1 15/16 Year end forecast £'000	Quarter 2 15/16 Year end forecast £'000	Quarter 3 15/16 Year end forecast £'000	Quarter 4 15/16 Year end Actual £'000
Upper limit -Debt Only					
On fixed rate exposures	180,000	107,482	107,482	107,482	107,482
On variable rate exposures	40,000	24,000	24,000	24,000	24,000

	2015/16 Budget £'000	Quarter 1 15/16 Year end forecast £'000	Quarter 2 15/16 Year end forecast £'000	Quarter 3 15/16 Year end forecast £'000	Quarter 4 15/16 Year end Actual £'000
Upper limit -Investments only					
On fixed rate exposures	(80,000)	(51,075)	(48,073)	(59,099)	(39,114)
On variable rate exposures	(40,000)	(12,363)	(18,178)	(12,480)	(12,430)

	2015/16 Budget %	Quarter 1 15/16 Year end forecast %	Quarter 2 15/16 Year end forecast %	Quarter 3 15/16 Year end forecast %	Quarter 4 15/16 Year end Actual %
Ratio of financing costs to net revenue stream (Non HRA)	4.5	3.5	3.5	3.4	3.3

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 2015/16: £6,793 / £127,711 = 4.5%

	2015/16 Budget %	Quarter 1 15/16 Year end forecast %	Quarter 2 15/16 Year end forecast %	Quarter 3 15/16 Year end forecast %	Quarter 4 15/16 Year end Actual %
Ratio of financing costs to net revenue stream (HRA)	18.2	18.0	18.5	18.3	18.5

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 2015/16: £2,851 / £15,702 = 18.2%

	2015/16 Budget %	Quarter 1 15/16 Year end forecast %	Quarter 2 15/16 Year end forecast %	Quarter 3 15/16 Year end forecast %	Quarter 4 15/16 Year end Actual %
Incremental impact of capital investment decisions					
Addition or (Reduction) to Council Tax	30.98	30.85	29.06	29.32	30.91

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

	2015/16 Budget %	Quarter 1 15/16 Year end forecast %	Quarter 2 15/16 Year end forecast %	Quarter 3 15/16 Year end forecast %	Quarter 4 15/16 Year end Actual %
Ave rate of interest on debt (Longterm)					
Non HRA	4.4	4.4	4.4	4.4	4.4
HRA including GF internal loan	2.8	2.8	2.8	2.8	2.8
Total					

	2015/16 Budget £'000	Quarter 1 15/16 Actual £'000	Quarter 2 15/16 Actual £'000	Quarter 3 15/16 Actual £'000	Quarter 4 15/16 Actual £'000
Short term borrowing limit	20,000	2,000	0	0	1,000

	2015/16 Budget £'000	Quarter 1 15/16 Year end forecast £'000	Quarter 2 15/16 Year end forecast £'000	Quarter 3 15/16 Year end forecast £'000	Quarter 4 15/16 Year end Actual £'000
Internal Borrowing					
CFR* (year-end position)	210,196	217,791	205,198	210,512	211,546
Less External Borrowing	(149,602)	(140,737)	(140,737)	(140,737)	(132,232)
Less Other long term liabilities	(10,000)	(10,000)	(10,000)	(10,000)	(8,712)
Internal Borrowing	50,594	67,054	54,461	59,775	70,602
Annual change in CFR	(5,499)	11,240	(1,353)	3,961	14,764
% of internal borrowing to CFR	24.1%	30.8%	26.5%	28.4%	33.4%

	2015/16 Budget £'000	Quarter 1 15/16 Actual £'000	Quarter 2 15/16 Actual £'000	Quarter 3 15/16 Actual £'000	Quarter 4 15/16 Actual £'000
Internal investments: (Principal)					
HRA Internal loan from the General fund	8,874	8,874	8,874	8,874	8,874
Wokingham Housing	3,000	713	968	2,425	2,766
Age Concern	150	150	150	150	150
Total	12,024	9,737	9,992	11,449	11,790

	Rate %	2015/16 £'000
Internal investments: (Interest received)		
HRA Internal loan from General fund	4.50	82
Wokingham Housing	6.00	83
Age Concern	1.99	3
Total		168

	Loan Amount £'000	Interest Rate %	Term Days
Short Term Loans			
Gwynedd Council	1,000	0.50	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	01 December 2016	120	0.00%
Local Enterprise Board			10 December 2015	01 December 2017	380	0.00%
Local Enterprise Board			10 December 2015	01 December 2017	250	0.00%
					47,214	

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
31/03/2016
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
Public Bodies						
Woking Borough Council	UK	AAA	5,000	12	0	5,000
Blackpool Borough Council	UK	AAA	5,000	12	3,000	2,000
Barnsley Borough Council	UK	AAA	5,000	12	2,000	3,000
London Borough of Enfield	UK	AAA	5,000	12	5,000	0
Wakefield Council	UK	AAA	5,000	12	0	5,000
Salford City Council	UK	AAA	5,000	12	3,000	2,000
Dundee	UK	AAA	5,000	12	0	5,000
Middlesbrough Borough Council	UK	AAA	5,000	12	0	5,000
Stirling Council	UK	AAA	5,000	12	0	5,000
Royal Borough of Kensington	UK	AAA	5,000	12	0	5,000
Rhondda Taff Council	UK	AAA	5,000	12	0	5,000
Monmouthshire Council	UK	AAA	5,000	12	0	5,000
Greater Manchester Combined Authority	UK	AAA	5,000	12	0	5,000
Manchester City Council	UK	AAA	5,000	12	0	5,000
Lincolnshire County Council	UK	AAA	5,000	12	0	5,000
Conwy County Borough Council	UK	AAA	5,000	125	3,000	2,000
West Dunbartonshire	UK	AAA	5,000	12	0	5,000
Birmingham City Council	UK	AAA	5,000	12	3,000	2,000
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	0	5,000
South Lanarkshire Council	UK	AAA	5,000	12	0	5,000
Eastleigh Borough Council	UK	AAA	5,000	12	3,000	2,000
Dudley MC	UK	AAA	5,000	12	0	5,000
Money Market Funds					30,000	
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						
Lloyds Banking Group	UK	AA+	3,000	6	0	3,000
HSBC Group						
HSBC Bank plc	UK	AA+	3,000	6	0	3,000
INDIVIDUAL BANKS						
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 Investment Bank	Europe	AAA	5,000	12	0	5,000
Clearstream Banking	Luxembourg	AA	3,000	12	0	3,000
Development Bank of Singapore (DBS LTD)	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
Santander UK PLC	UK	A	3,000	6	0	3,000
Sumitomo Mitsu Corporation	UK	AA+	3,000	6	0	3,000
Australia and New Zealand Banking Group	Australia	AAA	3,000	12	0	3,000
Commonwealth bank of Australia	Australia	AAA	3,000	12	0	3,000
National Australia Bank Limited	Australia	AAA	3,000	12	0	3,000
Westpac Banking Corporation	Australia	AAA	3,000	12	0	3,000
Banque et Caisse d'Epargne de l'Etat	Luxembourg	AAA	3,000	12	0	3,000
Nordea Bank AB	Sweden	AAA	3,000	12	0	3,000
Svenska Handelsbanken	Sweden	AAA	3,000	12	0	3,000
Building Societies						
Nationwide Building Society	UK	AA+	2,000	6	0	2,000
Coventry Building Society	UK	AA+	2,000	6	0	2,000
Leeds Building Society	UK	AA+	2,000	6	0	2,000
TOTAL INVESTMENTS					30,000	
* GB = Government Backed						
** Barclays Investment 3+ months - dealt before change in max duration						

The figures in the table on the previous pages 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 31/03/2016

Institution	Amount £'000	Rate	Maturity Date	Trade Date	Broker
Conwy County Borough Council	3,000	0.55%	30 November 2016	15 January 2016	Tradition
Birmingham CC	3,000	0.50%	22 November 2016	22 January 2016	Tradition
Barnsley BC	2,000	0.55%	3 November 2016	3 December 2015	Sterling
Salford CC	1,000	0.50%	24 August 2016	8 September 2015	Tradition
London Borough of Enfield	2,000	0.50%	18 August 2016	8 September 2015	Tradition
London Borough of Enfield	3,000	0.50%	19 July 2016	11 August 2015	Tradition
Eastleigh BC	3,000	0.45%	7 July 2016	7 October 2015	Tradition
Salford CC	2,000	0.50%	21 June 2016	8 July 2015	Tradition
Lancashire CC	5,000	0.53%	9 June 2016	21 July 2015	Tradition
West Lothian Council	3,000	0.50%	19 May 2016	1 June 2015	Tradition
Blackpool BC	3,000	0.40%	3 May 2016	30 November 2015	Sterling
Total	30,000				

Forward Deals					
Fife Council	5,000	0.60%	17 March 2017	19 April 2016	Tradition
West Dunbartonshire	5,000	0.55%		3 May 2016	Tradition
Grand Total	40,000				

Investments By Broker	Amount	No of deals			
RBS Gov't Back MMF		0			
RBS MMF		0			
Invesco		0			
Goldman Sachs	0	0			
Goldman Sachs Govt	0	0			
Deutsche Bank (Henderson)	0	0			
Sterling Brokers	5,000	2			
Tradition	35,000	11			
DMO		0			
Tullett Prebon		0			
Total	40,000	13			

	Mkt Value £'000	Interest Received £'000	Cumulative rate %
Fund Managers @ 31/03/16			
Royal London Asset Management (Rlam)	11,925	60	0.5%
Aberdeen Asset Management *	9,619	70	0.7%
	21,544	130	

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

	2015/16 Budget £'000	Quarter 1 15/16 Actual £'000	Quarter 2 15/16 Actual £'000	Quarter 3 15/16 Actual £'000	Quarter 4 15/16 Actual £'000
Internal investments: (Principle)					
HRA Internal loan from the General fund	8,874	8,874	8,874	8,874	8,874
Wokingham Housing	3,000	713	968	2,425	2,766
Age Concern	150	150	150	150	150
Total	12,024	9,737	9,992	11,449	11,790

	Rate %	2015/16 £'000
Internal investments: (Interest received)		
HRA Internal loan from The General fund	4.5	399
Wokingham Housing	6	84
Age Concern	1.99	3
		486

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 12.

TITLE	Shared Audit and Investigation Service Annual Report 2015/16
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
WARD	None Specific
GENERAL MANAGER	Catherine Hickman, Service Manager – Shared Audit and Investigation Service

OUTCOME

The report contains the Service Manager, Shared Audit and Investigation Service (SMSAIS) opinion on the overall adequacy and effectiveness of the Council's internal control environment. This supports the 2015/16 Annual Governance Statement (AGS).

RECOMMENDATION

That the Audit Committee notes the 2015/16 Shared Audit and Investigation Service Annual Report.

SUMMARY OF REPORT

The report provides the SMSAIS opinion on the council's governance, risk management and internal control. It draws on the work of internal audit, investigations and other assurance providers. The SMSAIS opinion is unqualified and provides reasonable assurance over the internal control environment in operation.

The report also details the work of the Shared Audit and Investigation Service during 2015/16.

Background

The purpose of this report is to meet the annual reporting requirements set out in the Accounts and Audit Regulations 2015 to include an opinion on the overall adequacy and effectiveness of the Council's system of internal control.

The Regulations state that a written report should be provided to those charged with governance timed to support the AGS.

Analysis of Issues

The Shared Audit and Investigation Service Annual Report provides assurance to those charged with governance (CLT, Executive and the Audit Committee) and enables them to review, and where appropriate, approve the AGS.

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	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
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N/A

Cross-Council Implications (

The Shared Audit and Investigation Service Annual Report impacts on all Council's services as it provides assurance on the processes and systems that support governance, risk management and internal control in the Council.
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Reasons for considering the report in Part 2

N/A

List of Background Papers

N/A

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Date 3 June 2016	Version No. v1

**2015/16 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Service Manager, Shared Audit and Investigation Service****Introduction**

1. The 2015/16 Internal Audit Plan was approved by the Audit Committee on 10 February 2015. 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, which replaced the previous "CIPFA Code of Practice for Internal Audit in Local Government (2006)" 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; and
 - whether there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
3. The body of this report also includes a summary of the performance of the Corporate Investigation Team.

Internal Audit Opinion

4. During the year, the Internal Audit Team 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 risks, as identified in the CRR.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year and taking into account other sources of assurance, including External Audit and through the Corporate Governance exercise, 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 aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified and these have been summarised in the body of this report.
6. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

PERFORMANCE SUMMARY

7. Key progress of the Shared Audit and Investigation Service during 2015/16 was:-
 - Assurance given to management on the Council's key risks and further strengthening of the CRR through independent verification of risks and treatment measures.

- Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
 - Audit resources have been available and able to more readily accommodate management requests for deferral.
 - Skills transfers taking place in relation to Agresso and Schools audits. There has been the ability to undertake direct comparisons between systems and identify existing best practices.
 - The audit process has continued to be refined using Lean practices.
 - On request of management and in specific audit areas knowledge on common areas is being shared.
 - Development of areas of expertise is emergent.
 - Increased Audit and Investigation work has been undertaken for Bracknell Forest Council, Buckinghamshire County Council and Oxfordshire County Council, resulting in increased income for the Service and income targets for the year being exceeded.
 - Outstanding results obtained for Investigation activity.
8. 91.3% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed which is a continuing improvement. The remaining 8.7% consisted of audit reviews with fieldwork in progress which are targeted to be completed early in the 2016/17 financial year, along with a vacant Auditor post early in the year.
9. Appendix A (I) presents the progress made against the 2015/16 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage as at 31 March 2016.
10. For the reviews completed, where an audit opinion was appropriate the following breakdown of classification is below.

Overall Opinion	No of Audits
1	0
2	22
3	4
4	0
Total	26

11. The four audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) completed to Final Report stage are summarised below. Management Action Plans have been agreed for each review.
- Health and Safety – the audit identified that there were areas for improvement in the effective management of the corporate risk related to Health and Safety, specifically in relation to the variable quality of Health & Safety Risk Assessments. Risk Assessments were not current, complete or comprehensive. Subsequent to the audit, management has been issued with a reminder on 25 January 2016 and Health & Safety responsibilities have been included in the annual appraisal template.
 - Personal Budgets – the audit identified that there were areas for improvement within the Council's management of Adult Social Care Personal Budgets. Notably, the effective monitoring of annual reviews. Management are investigating a number of performance improvements to the Frameworkki system information. Reminders to staff to ensure the sign off of Support Plans has been issued and the verification of payments will be improved following the planned introduction of pre-payment cards.

- Creditors – the audit identified that there were areas for improvement in the Creditors system, notably around the detective controls for duplicate payments. A review of utility costs (telecoms, electricity, gas, water) in 2015 found only a single duplicate payment of minor value. To address the issue identified by the audit, Management has commissioned a third party company to review this area. This work is ongoing but is due to complete by the end of June 2016.
- Debtors - the audit identified that there were weaknesses in the Debtors system. There were issues with Debt Recovery process, invoices related to Building Control, reconciliations and ability to amend sales orders. There is ongoing work with Wiser support to address the issues in relation to Building Control Invoices and restricting access to sales orders. Management have asserted that control account reconciliations have been performed. The draft SLA contains details of the debt recovery policy

Outstanding responses as at 03/06/16

12. Responses remain outstanding in respect of the following audits:-
 - Contract Management
 - Housing Rents
 - Implementation of Children and Families Act
13. Audit reports are presented using lean terminology, using the concern, finding, management action and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Very High and High concerns have been actioned within agreed timescales.
14. Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. There have been no cases of Very High or High concerns being tolerated by management.

Additional Work Requested by Members / Management

15. Contingency days have been used to respond to four Management requests in respect of the following reviews.
 - School Admissions
 - Bus Operators Grant Certification
 - BACS/CHAPS
 - Repairs & Renewal Grant Certification
16. Internal Audit regularly contributes to meetings of the Information Governance Group.

Corporate Investigations

17. The year 2015/16 was a successful year for the Corporate Investigations element of the Service with total potential financial savings identified of £429,836. This was comprised of £322,336 of actual overpayments that are potentially recoverable and £107,500 of notional savings which are the value placed on the fraud by the “Fighting Fraud and Corruption Locally” publication issued by the CIPFA Counter Fraud Centre and “Protecting the Public Purse”. A summary of the performance by the Corporate Investigations Team is shown in Appendix A (II).

18. In terms of other Investigation activity, the following pieces of work were undertaken:-
- 3 Disciplinary Cases
 - 3 Monitoring Officer Investigations
 - 2 Intelligence checks on behalf of Shared Legal Solutions

Regulation of Investigatory Powers Act

19. No new investigations have been undertaken during 2015/16 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Audit and Investigation - Other Work Areas

Audit

20. Public Sector Internal Audit Standards: A new set of '*Public Sector Internal Audit Standards*' has been developed by CIPFA/IIA, which came into effect from 1 April 2013 and were updated in March 2016. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance and they encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. During the year, audit documentation and processes have been reviewed and updated, where necessary, and a revised Audit Charter was presented to the 10 February Audit Committee.
21. An Action Plan has been developed of areas that require work to fully comply with the Standards. Currently, the Internal Audit Team 'generally conforms'. The updated Action Plan accompanies this report at Appendix (III) which reflects both the outstanding action from last year and new findings from this year's compliance check.
22. The following areas of non-compliance with the standards were noted:
- The Audit Charter does not fully meet the requirement of Attribute Standard 1000, Purpose, Authority and Responsibility.
 - There is no formal Quality Assurance and Improvement Programme in place and although most of the requirements of such a programme are being met it is currently not possible to report formally, the results of the programme and progress against any associated improvement plans.
 - Formal records are not being retained demonstrating that the requirement for continuing professional development (CPD) is being met.

Corporate Investigations

23. Other work areas included:-
- Annual review of the WBC Fraud policies (Sanctions and Prosecutions, Whistleblowing, Anti Bribery, Anti Money Laundering etc.) to reflect structural changes in terms of the Shared Service.
 - Collation of Transparency Information on investigations to publish on the WBC Website.

**2015/16 Wokingham Borough Council Internal Audit Plan Status
(as at 31 March 2016)**

AUDIT TITLE	DIRECTORATE	STATUS	OPINION
2014/15 Audits Carried Forward			
<u>Key Financial Systems</u>			
Capital Programme (Allocation, Accounting & Budgetary Control)	Finance & Resources	Final	Reasonable
Council Tax & NNDR	Finance & Resources	Final	Reasonable
Treasury Management	Finance & Resources	Final	Reasonable
BACS	Finance & Resources	Final	Reasonable
Bank Reconciliations	Finance & Resources	Final	Reasonable
Main Accounting	Finance & Resources	Final	Reasonable
Payroll	Finance & Resources	Final	Reasonable
Creditors	Finance & Resources	Final	Reasonable
Debtors	Finance & Resources	Final	Limited
Housing Rents	Finance & Resources	Final	Limited
<u>Internal Audit Assurance Work</u>			
Corporate Governance	Cross Cutting	Final	Exempt
Effectiveness of Internal Audit	Cross Cutting	Final	Exempt
Effectiveness of Audit Committee	Cross Cutting	Final	Exempt
Risk Management	Cross Cutting	Final	Reasonable
Major Corporate Projects	Governance & Improvement	Final	Reasonable
<u>Risk Based Internal Reviews linked to CRR</u>			
School Place Provision - Corporate Risk 2	Children's Services	Final	Reasonable
Safeguarding Vulnerable Children - Corporate Risk 7	Children's Services	Final	Reasonable
Safeguarding Vulnerable Adults - Corporate Risk 8	Health & Wellbeing	Final	Reasonable
Health and Social Care Failure - Corporate Risk 27	Health & Wellbeing	Final	Reasonable
Delivery of Key Objectives - Corporate Risk 14	Finance & Resources	Final	Reasonable
Strategic Infrastructure Provision - Corporate Risk 19	Environment	Final	Reasonable
<u>Internal Audit Consultancy & Advisory Work</u>			
Facilitating the AGS	Cross Cutting	Final	Exempt
<u>2015/16 Audits</u>			
CS Health & Safety (Corporate Manslaughter)	Children's Services	Final	2
Implementation of Children and Families Act	Children's Services	Draft	
Framework Security and Access Controls	Children's Services	Final	2
School Admissions	Children's Services	Final	Exempt
Troubled Families/Family First Grant Certification (twice a year)	Children's Services	Final	Exempt
Loss of Confidential Data	Corporate Risk 15	Final	2
Infrastructure Repairs	Corporate Risk 18	Deferred	
Health and Safety (CRR)	Corporate Risk 19	Final	3
Town Centre Regeneration	Corporate Risk 23	Final	2
Judicial Review	Corporate Risk 8	Final	Exempt
Procurement Cards	Cross Cutting	Final	2

Risk Management	Cross Cutting	Final	2
Business Continuity Planning	Cross Cutting	Final	2
Contract Management (Part I)	Cross Cutting	Draft	
Effectiveness of System of Internal Audit	Cross Cutting	Final	Exempt
Performance Management and Balanced Scorecard	Cross Cutting	Final	2
Major Corporate Projects	Cross Cutting	Final	2
Information Governance	Cross Cutting	Final	2
Contract Management (Part II)	Cross Cutting	Draft	
Bus Operators Grant Certification (WBC)	Environment	Final	Exempt
Integrated Transport IT Block & Integrated Transport Maintenance Block	Environment	Final	Exempt
Community Infrastructure Levy Operation/S106	Environment	Deferred	
Governance of the Local Authority Trading Companies (Holding, Optalis and WHL).	Finance and Resources	Ongoing	
BACS/CHAPS	Finance and Resources	Final	2
Fixed Asset Register	Finance and Resources	Final	2
Reconciliations	Finance and Resources	Final	2
Cashiers	Finance and Resources	Final	2
Treasury Management	Finance and Resources	Final	2
Benefits/CTRS	Finance and Resources	Final	2
Creditors	Finance and Resources	Final	3
Emmbrook Senior School	Finance and Resources	Final	Exempt
Hawkedon Primary	Finance and Resources	Final	Exempt
Hillside Primary	Finance and Resources	Final	Exempt
Gorse Ride Infant & Junior	Finance and Resources	Final	Exempt
Radstock Primary	Finance and Resources	Final	Exempt
Whiteknights	Finance and Resources	Final	Exempt
CRSA Hatch Ride	Finance and Resources	Final	Exempt
CRSA St Dominic Savio	Finance and Resources	Final	Exempt
CRSA St Pauls CE Junior	Finance and Resources	Final	Exempt
Waingels School	Finance and Resources	Final	Exempt
Payroll	Finance and Resources	Final	2
General Ledger	Finance and Resources	Final	2
Council Tax & NNDR	Finance and Resources	Final	2
Financial Management (Budgetary Control and Reporting)	Finance and Resources	Final	2
Debtors	Finance and Resources	Final	3
Housing Rents	Finance and Resources	Draft	
Capital Programme, Accounting, Expenditure Monitoring	Finance and Resources	Draft	
IT Project - Gateway Reviews (IT Mixed Economy)	Finance and Resources	Draft	Exempt
Facilitating the AGS/Corporate Governance	Finance and Resources	Draft	Exempt
Housing Repairs and Adaptation	Health and Wellbeing	Final	2
Leisure Trust - C-Salt	Health and Wellbeing	Final	2
Adult Social Care - Personal Budgets	Health and Wellbeing	Final	3
Decent Homes Backlog Grant	Health and Wellbeing	Final	Exempt
Safeguarding Vulnerable Adults	Health and Wellbeing	Deferred	

N.B Audit Opinions changed from the 1 April 2015.

<u>Audit Opinion – Legend 2014/5</u>	
Outstanding	A cost effective control system is in place commensurate with the risks facing the activity. Compelling evidence is found to corroborate the conclusion that the control systems are operating as expected.
Good	A system of control is in place that is designed to assist in the achievement of service objectives. Strong evidence is available to support the conclusion that controls are operating as expected.
Reasonable	A system of control is in place that is designed to assist in the achievement of service objectives although there may be opportunities to improve controls. Some evidence is available to support the conclusion that controls are operating as expected.
Limited	A system of control is in place but omits one or more key elements from its design. Alternatively, the auditor may be unable to find any firm evidence that a system is operating as expected. There is a quantifiable risk that service objectives will not be achieved and/or a serious loss (financial or otherwise) will be suffered by the Council.
Nil	Key features of internal control are missing from the system. The effect of this is to create a strong likelihood that service objectives will not be achieved and/or a serious loss (financial or otherwise) will be suffered by the Council.
<u>Audit Opinion – Legend 2015/16</u>	
1. Complete and Effective	<ul style="list-style-type: none"> ♦ All necessary Treatment Measures are in place and are operating effectively. ♦ Residual risks have been reduced to an acceptable level ♦ There are no unacceptable financial implications. ♦ Concerns reported are minor. <p>(Risk management processes are strong and controls are adequate and effective).</p>
2. Substantially Complete and Generally Effective	<ul style="list-style-type: none"> ♦ Most key Treatment Measures are in place and these operate effectively. ♦ The majority of residual risks have been reduced to an acceptable level. ♦ There are some unacceptable financial implications. ♦ The majority of concerns are of a predominately moderate impact/likelihood. <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
3. Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> ♦ Not all key Treatment Measures are in place and / or do not operate effectively ♦ Residual risks have not all been reduced to an acceptable level ♦ There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. ♦ There are a number of concerns that are predominantly of a major impact/likelihood. <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
4. There is no effective Risk Management process in place	<ul style="list-style-type: none"> ♦ There are no appropriate Treatment Measures in place. ♦ Residual risks remain at an unacceptable level ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood. <p>(Risk management processes and controls are weak).</p>
Exempt	Exempt from classification

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Appendix A(II)

Shared Audit and Investigation Service

**Wokingham Borough Council
2015/16 Investigation Team Activity**

Area	Value
Council Tax Reduction Scheme	£45,935
Council Tax Discount/Exemption	£5,790
Direct Payments	£191,048
Right to Buy	£77,900
Discretionary Housing Payment	£1,283
Employee Fraud	£380
Blue Badge – deceased person’s badge recovered	1 * Notional Value £500
Bus Pass – deceased person’s bus pass recovered	1
Housing Tenancy Fraud	5 *** Notional Value £90,000
<i>NFI Activity</i>	
Tenancy records corrected	12
Blue Badges – cancelled	34 ** Notional Value £17,000
Adult Social Care records corrected	31
<i>School Admissions Work</i>	
Applications reviewed	328
Further information requested	110 – 33%
Referred to back to School Admissions	21
Enquiries still ongoing	4
<i>Other</i>	
3 Disciplinary Cases	
3 Monitoring Officer Investigations	
2 Intelligence checks on behalf of SLS	

Actual Overpayments Identified	£322,336
Notional Savings Identified	£107,500
Total Financial Savings for 15/16	£429,836

* Business Rates Proactive Drive identified additional errors of **£85,637** which have now been corrected.

** The Audit Commission estimate the value of a Blue Badge as £500 per annum.

*** The Audit Commission estimate value of tenancy fraud to be £18,000 per property per annum.

Wokingham Borough Council
PSIAS Self Assessment

2015-16 Action Plan

Note that for the purposes of this self-assessment the Service Manager, Shared Audit & Investigation Service, acts as the Chief Audit Executive (CAE).

Action number	Ref.	Action Required	Responsible Officer	Target Date
1	2.1	Audit Team to undertake refresher training with regards the Bribery Act prior to the External Assessment.	Team Manager, Internal Audit (Shared Service)	In progress due to complete 31 July 2016
2	2.4	Re-raised from 2014/15 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)	From 30 June 2016
3	2.5	Re-raised from 2013/14 Auditors need to be reminded of their requirement to have regard to the Standards of Public Life's Seven Principles of Public Life.	Service Manager, Shared Service	Completed 24 May 2016
4	3.3	Re-raised from 2014/15 The Audit Charter to include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.	Service Manager, Shared Service	28 September 2016
5	3.3	The Audit Charter to be updated to ensure that it makes reference to all of the points set out in Attribute Standard 1000 – Purpose, Authority and Responsibility.	Service Manager, Shared Service	28 September 2016
6	5.7	Re-raised from 2014/15 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	June 2016
7	8.5 & 20.1 4	Annual declarations of interest made by members of the Shared Service to be reviewed by the Service Manager to consider the impact, if any, they may have on the service being provided.	Service Manager, Shared Service	31 May 2016

8	8.6	Re-raised from 2014/15 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)	28 September 2016
9	8.6	The SIAS team should be reminded of the guidelines relating to offers of Gifts and Hospitality.	Team Manager, Internal Audit (Shared Service)	Completed 24 May 2016
10	9.4	Job descriptions should be reviewed and each auditor be issued with a current job description which is in line with their grade and level of experience.	Team Manager, Internal Audit (Shared Service)	Sept 2016
11	9.8 20.14 b 28.4	An IT needs assessment needs to be undertaken to determine whether current staff have the necessary knowledge relating to IT risks and controls.	Service Manager, Shared Service	Sept 2016
12	11.2	Re-raised from 2014/15 The Service 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.	Service Manager, Shared Service	August 2016
13	11.4	Re-raised from 2014/15 Professional Development logs to be maintained by individual auditors.	Team Manager, Internal Audit (Shared Service)	September 2016
14	12.1	Re-raised from 2014/15 A Quality Assurance Improvement Programme (QAIP) to be implemented for the Shared Service.	Service Manager, Shared Service	August 2016
15	14.7	Re-raised from 2014/15 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)	28 September 2016
16	15.3	Re-raised from 2014/15 The Service Manager to agree with the Audit Committee the proposed form of the PSIAS external assessment.	Service Manager, Shared Service	8 February 2017
17	16.1	Re-raised from 2014/15 The Service Manager to report the results of the QAIP to the Audit Committee.	Service Manager, Shared Service	June 2017
18	28.3	The Service Manager should give consideration as to how she can demonstrate that the internal audit activity has evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and	Service Manager, Shared Service	September 2016

		activities.		
19	28.4	The Service Manager should determine whether the internal audit activity has assessed whether the organisation's information technology governance supports the organisation's strategies and objectives.	Service Manager, Shared Service	September 2016
20	35.3	Consideration should be given to reviewing and approving the Control Evaluation Sheets prior to the auditors commencing fieldwork.	Service Manager, Shared Service	31 May 2016
21	39.3	Access to internal audit records on the network should be restricted in accordance with expectations of the Service Manager and Team Manager.	Team Manager, Internal Audit (Shared Service)	30 June 2016
22	39.5	The updated Archiving Policy for the Shared Service to be approved and adopted.	Team Manager, Internal Audit (Shared Service)	30 June 2016
23	40.2	Re-raised from 2014/15 Audit engagement supervision to be recorded and retained for the Shared Service where applicable (ToR, CES, Review Sheet, Draft Report, Final Report).	Team Manager, Internal Audit (Shared Service)	From 31 May 2016
24	45.1	Re-raised from 2014/15 Auditors to report that engagements are "conducted in conformance with the PSIAS" when they comply/are applicable.	Service Manager, Shared Service	July 2016
25		The Service Manager should familiarise herself with the proposed changes to the International Practice of Internal Auditing (Standards) in order to identify any amendments which may need to be made to ensure our continued compliance with the PSIAS.	Service Manager, Shared Service	September 2016

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Agenda Item 13.

TITLE	Annual Governance Statement
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
WARD	None Specific
GENERAL MANAGER	Catherine Hickman, Service Manager – Shared Audit and Investigation Service

OUTCOME

The Accounts and Audit Regulations 2015 that came into force on 1 April 2015 require authorities to prepare an Annual Governance Statement in accordance with proper practices in relation to 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 2015/16 and highlight issues that the council wishes to improve.

RECOMMENDATION

That the Audit Committee 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 2015/16:

- 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 2015/16 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.

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	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

N/A

Cross-Council Implications

Reasons for considering the report in Part 2

N/A

List of Background Papers

N/A

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Date 3 June 2016	Version No. v1



DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

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 2015/16.
- 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 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 individual objectives with the council's values being part of every officer's performance review.

The Council's Performance Monitoring framework details performance indicators (to address corporate priorities).

5.2 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 2015/16 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.

- 5.3 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.
- 5.4 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.
- 5.5 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.
- 5.6 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 2015/16 financial year.
- 5.7 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.
- 5.8 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.
- 5.9 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.
- 5.10 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.
- 5.11 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).

5.12 The Performance Management System of the council and the Reporting of Performance Management

In 2015/16 performance management was delivered through Performance Monitoring framework and this is reviewed by CLT, Executive and Overview and Scrutiny.

5.13 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.

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 Regulations 2015 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 2015/16 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 There have been improvement over the governance of the council's Local Authority Trading Companies including:
- Recruitment of new Board members with relevant expertise
 - Externally validated Board skills audit as part of the HCA registration process
 - Holding Company Directors no longer on subsidiaries
 - Development of Group Operating Protocol and intra Group Agreement
 - Introduction of selection and performance framework for company Directors
- 7.3 Development of Council Wide contracts data base on WISER
- 7.4 New Procurement and Contract regulations which are more accessible to staff and reflect latest legislation
- 7.5 Introduction of procurement dashboard to increase Council Wide visibility
- 7.6 Council wide surplus assets process lead through the Strategic Assets Programme Board
- 7.7 In Children's Services refreshed quality assurance and performance management system.
- 7.8 In Children's Services review of finance, commissioning and management system regarding activity and financial planning.
- 7.9 Waste Working Group - is currently considering options ready for Executive consideration.
- 7.10 Environment: Health and Safety, Risk Assessment and Business Continuity monthly discussions at Leadership meetings
- 7.11 Establishment of the Local Plan Update Member Steering Group to oversee the development and delivery of the Local Plan Update (LPU) for Wokingham Borough
- 7.12 Audit into CR19 Strategic Infrastructure Provision has resulted in a more delivery focused reporting mechanism.
- 7.13 Improved project management of major highway schemes led by skilled, experienced Project Management staff.
- 7.14 Safeguarding Adults Partnership Board has now been put on a statutory footing.
- 7.15 Regular updates to the Council's Constitution to reflect changes in legislation and good practice.
- 7.16 Guidance to Members on issues such as, for example, buy in and use of social media.
- 7.17 Town Centre Regeneration Project has made wider use of Members to enable challenge to numerous aspects of the projects.
- 7.18 The council's performance management framework has improved from last year.
- 7.19 The council produced an update to the Council Plan that tracks progress and sets out further actions to achieve the council's vision.

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 The Council's Revenue Account overspent for the first time in many years and the level of the underlying overspend (ignoring Supplementary Estimates in year) was significant. The key cost drivers accounting for this overspend were; children in care, homelessness and an increase in vulnerable adults needing support. There are further spending pressures arising from escalating volumes of waste. The overspends experienced in 2015/16 raise concerns around budget sufficiency going forward and highlights the need to respond to this in future service and financial planning.
- 8.3 With the increasing number of major infrastructure projects being commenced further clarity of project management governance structures and procedures has been introduced.
- 8.4 Health Integration – the potential 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 purer commissioning model. These will be developed as integration progresses and initial delegations will be limited to simple shared management arrangements as already practised in the shared mental health function.
- 8.5 The Chief Executive has identified the actions required to strengthen these areas of governance and will monitor their implementation

9. Conclusion

- 9.1 The Council therefore concludes that its governance arrangements are fit for purpose.

Signed:

Leader of the Council:

Date:

Chief Executive:

Date:

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TITLE	Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
WARD	None Specific
GENERAL MANAGER	Catherine Hickman, Service Manager – Shared Audit and Investigation Service

OUTCOME

The Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council will support a streamlined and effective Annual Governance Statement (AGS) in 2016/17.

RECOMMENDATION

To approve the Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council

SUMMARY OF REPORT

The Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council has two main objectives:

1. The Code provides a simple and transparent way to communicate to the council's stakeholders how it is meeting the International Framework: Good Governance in the Public Sector.
2. The adoption by the Council of the Delivering Good Governance in Wokingham Borough Council as it's governance framework will enable the streamlining and simplification of the 2016/17 Annual Governance Statement.

Background

From 2016/17 CIPFA's definition of proper practice is reflected in the International Framework: Good Governance in the Public Sector. This should be reflected in the annual governance statement. Adoption of the code will enable the Council to effectively and efficiently comply with the Framework.

The Code is based on the International Framework provides seven principles of Good Governance in the Public Sector:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.

- Defining outcomes¹ in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Analysis of Issues

The adoption of the Code will enable the production of the AGS to move to an exception basis, provide greater transparency and make the code a living document that demonstrates good governance through a practical alignment with the council's activities. The Code not only sets out how the council meets the principles but demonstrates the council's commitment to transparency as the underlying documents are available on the council's website.

The adoption of the code will enable a "comply or explain" approach to the production of the AGS and a streamlined version of the AGS which enables interested readers to references the code and further detailed information available.

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	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

N/A

Cross-Council Implications

Reasons for considering the report in Part 2

N/A

List of Background Papers
N/A

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Date 3 June 2016	Version No. v1

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Delivering Good Governance in Wokingham Borough Council

Good governance is the phrase used to describe how organisations direct and control what they do. For local authorities this includes how a council relates to the communities that it serves.

Good governance is everyone's responsibility. The Leader of the Council and the Chief Executive have a special leadership role as custodians of the Councils governance arrangements.

We deliver good governance at Wokingham Borough Council through demonstrating the following principles based on the International Framework: Good Governance in the Public Sector.

As part of our commitment to openness we endeavour to publish as much information on our website as possible on our governance arrangements.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The council's values are defined on the website [here](#). These are embedded in the Council Plan [here](#). They are embedded in job descriptions and assessed within appraisals.

There are Member and Officer Codes of Conduct detailed within the council's constitution [here](#). The Members code in Section 9 and Officers code in Section 11.

Details of Councilors Declarations of Interests, Register of Interests and details of Gifts and Hospitality are published on the Council's website [here](#).

The Council operates a Whistleblowing regime [here](#).

B. Ensuring openness and comprehensive stakeholder engagement.

The Council transacts as much of its business as possible in public. Council Meetings are published [here](#). The Council proactively publishes information under its publication scheme [here](#).

E-petitions are available on the Council's website [here](#). The Council regularly consults with its stakeholders. Details of current consultations are [here](#).

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The council's vision is defined on the website [here](#). These are embedded in the Council Plan [here](#). The Medium Term Financial Plan (MTFP) details the medium viability of the Council [here](#).

These are underpinned by a network of supporting plans, strategies and policies [here](#).

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Council Plan and its annual review detail the actions required to deliver on the Council's Vision, Principles and Priorities and is available on the Council's website [here](#).

These are monitored via the Council Plan Performance Monitoring report presented to Overview and Scrutiny on a quarterly basis [here](#).

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

There is Induction for new Members and Officers on joining the Council.

Details of Members training is published [here](#).

There is a Training Needs Analysis which informs the training of Officers.

F. Managing risks and performance through robust internal control and strong public financial management.

The Council has a risk management policy and guidance [here](#). The Council's Corporate Risk Register is reviewed quarterly by the Council's audit committee [here](#).

The Council details its Financial Regulations and Procurement and Contract Rules and Procedures in the Constitution in Sections 11 and 12 respectively [here](#). The annual accounts and other relevant financial data are available [here](#).

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Transparency data and Publication Scheme detail a wealth of information about how the Council operates [here](#).

The responsibility for services is detailed for Executive Members [here](#), Officers [here](#), and the complaints process is defined [here](#).

The Council has an Overview and Scrutiny function that provides holding the Executive to account. This includes undertaking policy development and review performance monitoring and external Scrutiny [here](#).

The Council has an Audit Committee that reviews the work of management, internal audit and external audit [here](#).

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 15 June 2016
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 February 2016.

The incidence of RPO's now forms part of the regular monthly budget monitoring process. This has raised the profile of the practice and the risk to financial management. Finance business partners continue to work across the council to minimise the level of RPO's being raised.

Reporting for the current month (April 2016) stands at 10%. A total of 97 RPO's were raised in the month. This covered some 77 suppliers.

The value of retrospective orders raised during April 2016 was £388,297.51 and ranged from £5.20 to £166,267.66. Of the total 10 were in excess of £5,000, one of which was in excess of £50,000. The largest RPO was raised for £166,267.66 against Capita Business Services Ltd which relates to various modules including training, consultancy, licence fee, subscriptions & support; fees are funded through the Schools Block. The invoice was dated 03-03-16 but related to the financial year 2016/17.

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	Revenue or Capital?
--	-------------------------------	--------------------------------------	---------------------

		quantify the Shortfall	
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

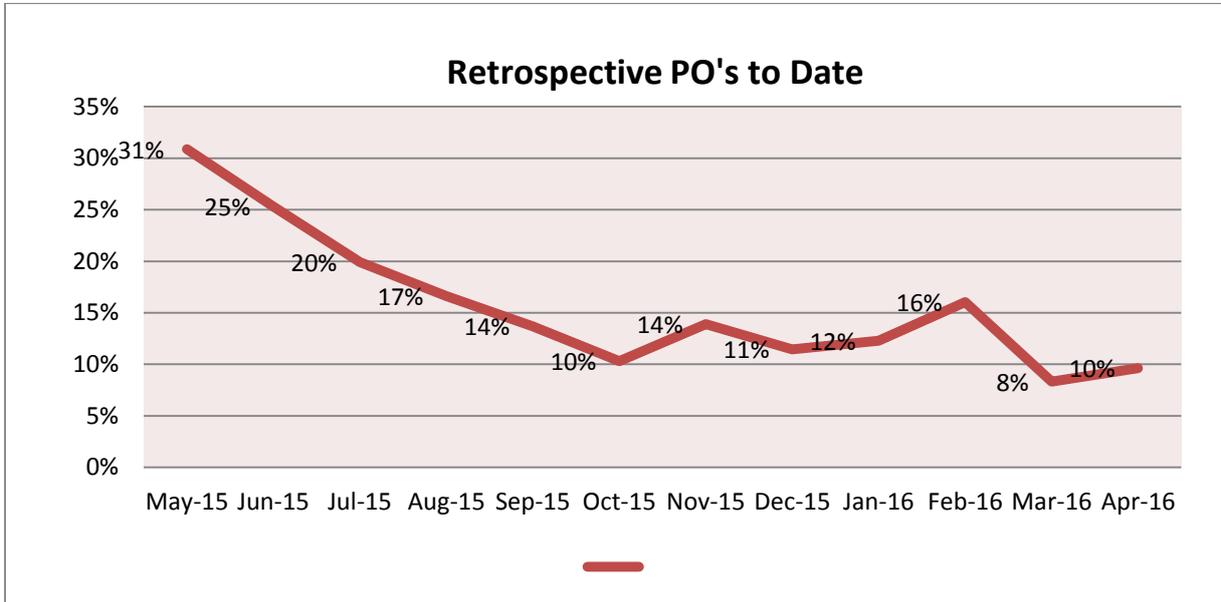
List of Background Papers
N/A

Contact Robert Stubbs	Service Finance & Resources
Telephone No 01189746559	Email rob.stubbs@wokingham.gov.uk
Date 31 May 2016	Version No. 1.0

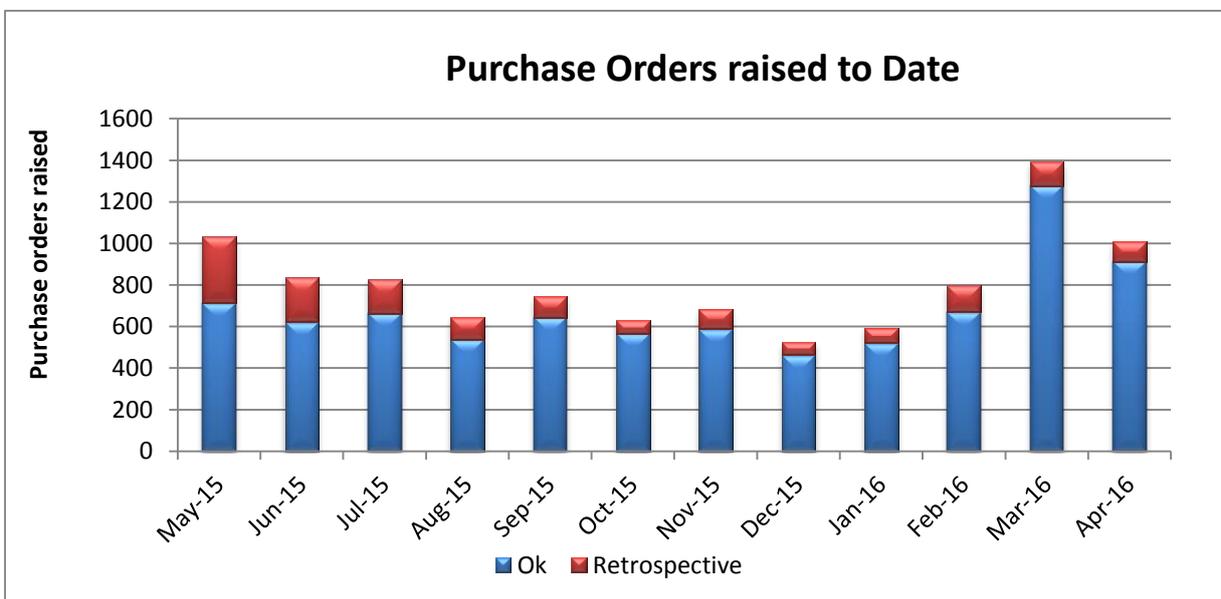
Retrospective Purchase Orders – Detailed Information

Retrospective Purchase orders – Incidence to date

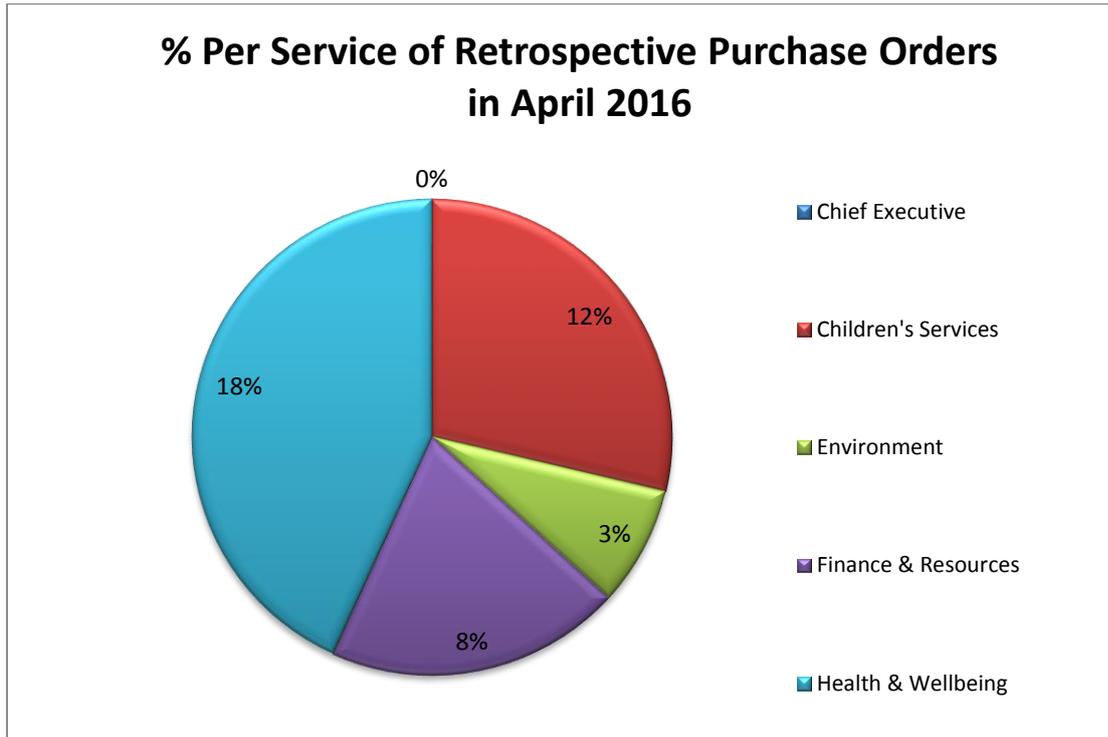
Retrospective purchase orders have reduced since the issues identified with the implementation of the new financial system.



The table below shows the levels of total purchase orders raised since May 2015 broken down between those raised correctly and those raised retrospectively. Work is continuing across the council to reduce this practice to a minimum.

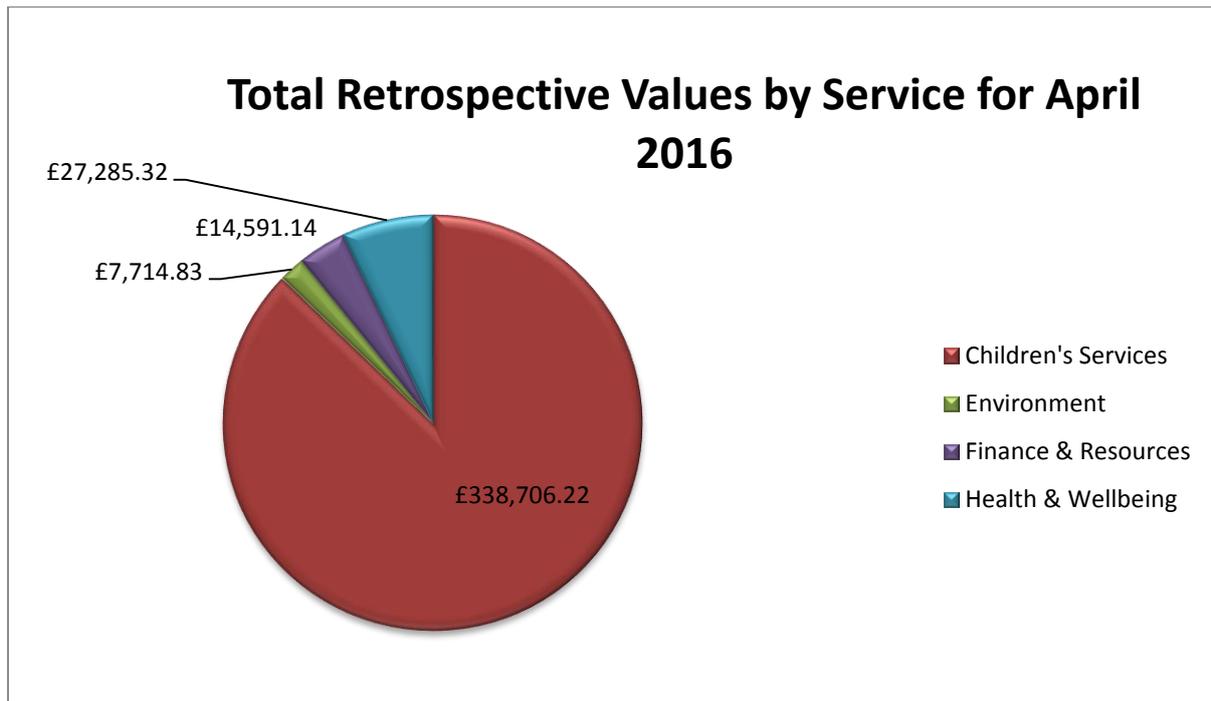


The chart and table below shows the percentage of RPO's by service during the month of April 2016.



Service Unit	Apr-2016			Apr Total
	OK	Retrospective	% Retrospective	
Chief Executive	83	0	0%	83
Children's Services	295	40	12%	335
Environment	201	7	3%	208
Finance & Resources	176	16	8%	192
Health & Wellbeing	155	34	18%	189
Grand Total	910	97	10%	1007

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+

	Apr-2016								Apr Total	
Service Unit	Less than £500		£501 - £1000		£1001 - £5000		£5001 +			
	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount
Chief Executive	0	£0.00	0	£0.00	0	£0.00	0	£0.00	0	£0.00
Children's Services	18	£2,403.86	4	£3,006.00	10	£28,368.65	8	£304,927.71	40	£338,706.22
Environment	4	£916.83	2	£1,506.00	0	£0.00	1	£5,292.00	7	£7,714.83
Finance & Resources	10	£203.90	4	£3,043.76	1	£2,400.00	1	£8,943.48	16	£14,591.14
Health & Wellbeing	20	£2,812.08	4	£3,541.66	10	£20,931.58	0	£0.00	34	£27,285.32
Grand Total	52	£6,336.67	14	£11,097.42	21	£51,700.23	10	£319,163.19	97	£388,297.51

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

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Row Labels	SupplierID(T)	Cost Centre(T)	Sum of Amount
Children's Services	Capita Business Services Ltd	Schools Block - Capita Contracts	£166,267.66
Children's Services	Crossroads	Community Support	£13,000.00
Children's Services	Quality Education Solutions Ltd	Neighbourhood - Ambleside	£7,094.86
Children's Services	Bracknell & Wokingham College	Schools Block - SEN Provision	£40,818.91
Children's Services	Wokingham and District Citizens Advice Bureau	Grants To Voluntary Bodies	£34,250.00
Children's Services	National Youth Advocacy Services	Safeguarding Staffing Team	£16,685.50
Children's Services	Berkshire College of Agriculture	Schools Block - SEN Provision	£15,905.78
Children's Services	KIDS	Community Support	£10,905.00
Children's Services Total			£304,927.71
Environment	Quality Education Solutions Ltd	Development Control MU	£5,292.00
Environment Total			£5,292.00
Finance & Resources	The Grey Matter Group	Training	£8,943.48
Finance & Resources Total			£8,943.48
Grand Total			£319,163.19

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**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2016/17 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 28 September 2016	1.	External Audit Annual Governance Report 2015/16	Ernst & Young
	2.	Financial Statements 2015/16	Graham Ebers, Director of Finance and Resources
	3.	Corporate Risk Register Update	Business Improvement
	4.	Internal Audit and Investigations Q1 Progress Report 2015/16	Shared Audit and Investigation Service

Pre meeting training September – Treasury Management

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DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Monday 5 December 2016	1.	External Audit Annual Audit Letter 2015/16	Ernst & Young
	2.	Treasury Management Mid-Year Report 2016/17	Graham Ebers, Director of Finance and Resources
	3.	Internal Audit and Investigation Q2 Progress Report 2016/17	Shared Audit and Investigation Service
	4.	Corporate Risk Register Update	Business Improvement
	5.	Enterprise Risk Management Policy and Guidance	Business Improvement

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2016/17 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 8 February 2017	1.	Certification of Claims and Returns – Annual Report 2015/16	Ernst & Young
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	Graham Ebers, Director of Finance and Resources
	3.	Treasury Management Strategy 207/18	Graham Ebers, Director of Finance and Resources
	4.	Corporate Risk Register Update	Business Improvement
	5.	Internal Audit and Investigation Q3 Progress Report 2016/17	Shared Audit and Investigation Service
	6.	2017/18 Internal Audit Charter	Shared Audit and Investigation Service

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To be scheduled:

- Appointment of Audit Panels