



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **WEDNESDAY 28 SEPTEMBER 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 20 September 2016

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WOKINGHAM BOROUGH COUNCIL

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.
17.		APOLOGIES To receive any apologies for absence	
18.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 15 June 2016.	5 - 12
19.		DECLARATION OF INTEREST To receive any declarations of interest	
20.		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	
21.		MEMBER QUESTION TIME To answer any member questions	
22.	None Specific	WOKINGHAM BOROUGH COUNCIL AUDIT RESULTS REPORT - ISA (UK AND IRELAND) 260 FOR THE YEAR ENDED 31 MARCH 2016 To receive the Wokingham Borough Council Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016.	13 - 36
23.	None Specific	FINANCIAL STATEMENTS 2015/16 To receive the Financial Statements 2015/16.	37 - 46

24.	None Specific	RETROSPECTIVE PURCHASE ORDERS To receive a report regarding Retrospective Purchase Orders.	47 - 52
25.	None Specific	CORPORATE RISK REGISTER UPDATE To receive the Corporate Risk Register update.	53 - 64
26.	None Specific	INTERNAL AUDIT AND INVESTIGATIONS Q1 PROGRESS REPORT 2015/16 To receive the Internal Audit and Investigations Q1 Progress Report 2015/16.	65 - 72
27.	None Specific	INTERNAL AUDIT CHARTER To receive the updated Internal Audit Charter.	73 - 80
28.	None Specific	FORWARD PROGRAMME To receive the forward programme for the remainder of the municipal year.	81 - 82

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 15 JUNE 2016 FROM 7.00 PM TO 8.45 PM**

Committee Members Present

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

Other Councillors Present

Councillor Prue Bray

Also Present

Madeleine Shopland, Principal Democratic Services Officer

Helen Thompson, Ernst and Young

Paul Ohsan Ellis, Team Manager Internal Audit

Catherine Hickman, Service Manager Shared Internal Audit and Investigation Service

Rob Stubbs, Head of Finance

Andy Couldrick, Chief Executive

Martin Jones, Planning Accountant-Corporate Finance,

John Ogden, Interim Head of Finance

1. APOLOGIES

An apology for absence was submitted from Adrian Balmer, Ernst & Young.

2. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 10 February 2016 were confirmed as a correct record and signed by the Chairman.

The Committee wished Rob Stubbs, Head of Finance well in his new job and welcomed John Ogden, Interim Head of Finance.

3. DECLARATION OF INTEREST

Councillor David Chopping declared a personal interest in any matter relating to Wokingham Housing Limited by virtue of the fact that he was a Non-Executive Director of Wokingham Housing Limited. Councillor Chopping remained in the meeting during discussions.

Councillors Norman Jorgensen and David Lee declared a personal interest in any matter relating to WBC (Holdings) Limited by virtue of the fact that they were Non-Executive Directors of WBC (Holdings) Limited. Councillors Jorgensen and Lee remained in the meeting during discussions.

4. PUBLIC QUESTION TIME

There were no Public questions.

5. MEMBER QUESTION TIME

5.1 Prue Bray asked the Chairman of the Audit Committee the following question:

Retrospective Purchase Orders (item 15) continue to occur. Of particular concern are retrospective purchase orders with a value greater than £5,000. Adding together the orders worth over £5,000 reported to the last 4 Audit Committees (including this meeting)

shows that Children's Services are responsible for 17 of 26 such orders, worth £449,905.51 of the £586,961.60 total, or 65% of the number and over 75% of the value. Why does Children's Services contribute such a large proportion of the retrospective purchase orders?

Answer:

During the above period all Purchase Orders (PO) raised across WBC, Children's Services accounted for 34% with a total value of 38%. This suggests that the level of Retrospective Purchase Orders (RPO) with a value greater than £5k is around double what would be expected.

Of the 17 RPO with a total value of £450k the highest valued RPO with a value of £166k related to an annual contract for the period April 2016 - March 2017 where the supplier invoiced WBC in advance. Therefore, on processing the order in early April it was deemed to be retrospective. The budget manager has been reminded of their requirement to comply with the Financial Regulations, and hopefully that is a diplomatic term that has been used, and ensure no future breach occurs.

Of the 17 RPO 11 relate to early invoicing from suppliers; 4 changes within placements contracts and 2 changes in budget manager.

All budget managers with RPO with a value greater than £5k have been communicated with and are aware of the importance of appropriate commitment to accounting and compliance to the Financial Regulations.

Detailed performance on Retrospective Purchase Orders is shared with Heads of Service on a regular basis with individual managers required to provide explanation for any breaches. Formal communication to all managers has been issued reinforcing the requirement to comply with Financial Regulations.

Current performance in May and June of this year, demonstrates a marked improvement with just 1 Retrospective Purchase Order exceeding £5k being raised in each month. The budget manager has been supported to understand the process and implications.

Budget Manager training scheduled to commence August 2016 will include a section on Purchase Orders and compliance to Financial Regulations. Training will be compulsory where managers have not been compliant to Financial Regulations.

Additionally, Administrative Support has also been reminded of correct processes to follow and will be required to attend training where appropriate.

Councillor Bray commented that she agreed with Councillor Lee that the focus should be on retrospective purchase orders with significant values. She noted that one of the retrospective purchase orders highlighted in the report contained in the agenda was for £166,267.66 and that 12.1.21.4 of the Financial Regulations within the Constitution stated that purchase orders over £100,000 were the responsibility of Heads of Service. She requested further training on retrospective orders and continued pressure from the Committee with regards to high value retrospective purchase orders. This was agreed by the Chairman.

6. CORPORATE RISK REGISTER REFRESH - MAY 2016

Andy Couldrick, Chief Executive, presented the Corporate Risk Register refresh – May 2016.

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

- Risk 29 - *Risk of a disruption to services and internal business* had been deleted from the Corporate Risk Register and would continue to be managed as part of the Resources Directorate Risk Register.
- 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.
- With regards to Risk 8 *'Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility'* Councillor Rowland questioned which provider had recently failed and was informed that it had been Age Concern Woodley.
- In response to queries from Members, Paul Ohsan-Ellis explained how risk appetite and risk management were highlighted. Consideration was given to presenting this in a different format at future meetings.
- Councillor Lee questioned whether a risk around a failure to attract foster carers should be included in the register. The Chief Executive commented that it was likely that this was included on the Children's Services directorate risk register. Councillor Lee questioned when directorate risk registers were reviewed and was informed that Directors reviewed them on a quarterly basis.
- Councillor Margetts asked why the Town Centre regeneration had been included as part of Risk 14 *'Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning'* and was not a separate risk. The Chief Executive commented that it was covered as part of a bigger corporate risk.
- Councillor Chopping suggested that it would be helpful for the Committee to understand the implications of health and safety to better understand the risk.
- Councillor Lee asked that in future the Corporate Risk Register include who were responsible for the risk's actions and the predicted completion dates.
- Members were reminded that the Internal Audit programme was built around the key corporate risks.

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

7. EXTERNAL AUDIT PLAN 2015-16

Members received the External Audit Plan. The Plan's purpose was to provide the Audit Committee with a basis to review Ernst & Young's proposed audit approach and scope for the 2015-16 audit.

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

- With regards to financial statement risk, the following risks identified were highlighted; risk of management override, incorrect Capitalisation of Revenue

Expenditure, IPSAS 16 & IFRS 13 – Fair Value Measurement and Better Care Fund.

- Ernst & Young had not identified any risks which they viewed as relevant to their value for money conclusion.
- Ernst & Young had determined that overall materiality for the Council's financial statements was £6.7 million, based on 2% of gross expenditure. Councillor Whittle asked how the 2% was set. Helen Thompson indicated that it was Ernst & Young.
- Uncorrected audit misstatements greater than £337,000 would be communicated to the Committee. Members were reminded that the amount considered material at the end of the audit might differ from the initial determination.
- In response to a Member question, Helen Thompson confirmed that the cumulative impact of misstatements was also considered.
- The indicative fee scale for the audit of Wokingham Borough Council was £105,617, together with an estimated fee of £7,183 for the certification of the housing benefits subsidy claim.

RESOLVED: That the External Audit Plan 2015-16 be noted.

8. EXTERNAL AUDIT PROGRESS REPORT - JUNE 2016

The Committee received the External Audit Progress Report – June 2016.

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

- Helen Thompson informed the Committee that Ernst & Young had completed its walkthrough of the key Council's financial systems in February/March 2016. No significant issues had been identified.
- Ernst & Young had continued to liaise with officers on plans relating to the new requirements for highways network assets and the Better Care Fund.
- At the planning stage of the audit, no significant value for money risks at the Council had been identified.
- Further detail on the 2014/15 Housing Benefits subsidy claim was included in response to questions raised at the previous Audit Committee.
- With regards to the local appointment of auditors, the Committee was reminded that existing external audit arrangements would remain unchanged for the 2015/16, 2016/17 and 2017/18 years. From 2018/19 onwards, councils would be required to appoint their own auditors.

RESOLVED: That the External Audit Progress Report – June 2016 be noted.

9. EXTERNAL AUDIT FEE LETTER 2016-17

The Committee considered the External Audit Fee Letter 2016-17.

The indicative fee for 2016-17 was £117,404 and would be billed in four quarterly instalments of £29,351.

RESOLVED: That the External Audit Fee Letter 2016-17 be noted

10. EXTERNAL AUDIT LOCAL GOVERNMENT SECTOR BRIEFING Q2

The Committee discussed the Local Government Audit Committee briefing Q2, which was produced quarterly.

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

- It was noted that from April 2017, the liability to pay the correct employment taxes would transfer from the worker's own company to the public sector body that was paying the company. Councillor Lee questioned what impact this would have on the Council. Rob Stubbs indicated that this was currently out for consultation.
- The Committee discussed the proposed changes to business rates in the future.
- Members discussed the process for the appointment of external auditors.
- In response to Member queries regarding capital receipts Rob Stubbs indicated that there was no expectation that the Council would have any for 2017/18.

RESOLVED: That the Local Government Audit Committee briefing Q2 be noted.

11. TREASURY MANAGEMENT ANNUAL REPORT 2015-16

Members received the Treasury Management Annual Report 2015/16 which highlighted the Council's treasury position as at 31 March 2016, set out the treasury management decisions taken during 2015/16 and showed that the Council had complied with its strategy and the prudential indicators that were set in February 2015.

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

- With regards to Capital, the actual capital expenditure for 2015/16 had been £42.2m. The Capital financing requirement as at 31 March 2016 had been £211.8m.
- Members were informed that the total external borrowing for 2015/16 was £132.2m. The new interest free loans from the Local Enterprise Partnership totalled £0.6m.
- Investments at 31 March 2016 stood at £63.3m; Fund managers £21.5m, In house £30.0m and internal loans (Wokingham Housing Limited etc.) £11.8m.
- Councillor Margetts questioned what was meant by in house investments. Martin Jones explained that the Council, via brokers, invested in other councils, often on a short term basis, for the rate of return which could be received.
- Councillor Rowland asked why the level of in house investments was higher than those made by the Council's fund managers. The Committee was informed that the fund managers often made longer term investments.
- The return on investments for 2015/16 was £0.9m. The average rate of return was 1.01%.
- Councillor Jorgensen asked about the level of capital expenditure. Rob Stubbs indicated that when the capital programme was approved it tended to be for schemes. Ways of making improvements to the projection and forecasting were under consideration.
- As at 31st March 2016 there had been no breaches of the Treasury Strategy during 2015-16.
- Councillor Whittle asked whether the Council had any currency and was informed that it did not.
- It was noted that at the time the report was compiled Age Concern Woodley had not gone into administration. The Council's usual debt recovery policy would be followed.

RESOLVED: That

- 1) The treasury management annual report for 2015/2016 be noted;

2) The actual 2015/2016 prudential indicators within the report be noted.

12. SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT 2015-16

Members received the Shared Audit and Investigation Service Annual Report 2015-16. The report provided the Service Manager Shared Audit and Investigation Service's opinion on the Council's governance, risk management and internal control arrangements.

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

- The Internal Audit Team had undertaken audits of key financial systems (in order to compliment the work of External Audit), in addition to focusing on the Council's identified key risks, as set out in the Corporate Risk Register. The overall audit opinion was that they were "Substantially Complete and Generally Effective but with some improvements required".
- 91.3% of the Internal Audit Plan had been achieved with the reviews at draft report stage or completed. The remainder consisted of audit reviews with in progress fieldwork and which were targeted to be completed early in the 2016/17 financial year.
- Both the Internal Audit and Investigation teams were undertaking work on behalf of other local authorities. Councillor Whittle asked how resources were allocated across the local authorities. Catherine Hickman indicated that there was an Internal Audit Plan in place and that auditors were allocated as appropriate to the audits being undertaken.
- Areas of key progress made by the Shared Audit and Investigation Service were highlighted.
- An opinion of '3' (Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated) had been issued with regards to audits on Health and Safety (CRR), Creditors, Debtors and Adult Social Care - Personal Budgets.
- The Committee discussed the Creditors audit in detail. Management had commissioned a third party company to review controls around duplicate payments made to suppliers. Rob Stubbs indicated that the third party had software which could be used to identify any duplicate payments made which could then be recouped. Very little had been identified so far. Further development of the Council's WISER system would help reduce this in future.
- A management response remained outstanding in respect of the Housing Rents audit.
- Contingency days had been used to respond to Management requests in respect of the following: School Admissions, Bus Operators Grant Certification, BACS/CHAPS and Repairs & Renewal Grant Certification.
- The Investigations Team had identified total potential financial savings of £429,836 which was comprised of £322,336 of actual overpayments that were potentially recoverable and £107,500 of notional savings. Councillor Lee requested that the Committee be updated on recovered financial savings in future.
- Members were informed that an action plan detailing areas that required work to fully comply with CIPFA/IIA's new 'Public Sector Internal Audit Standards', had been developed. At present the Internal Audit Team 'generally conformed.'

RESOLVED: That

1) the Shared Audit and Investigation Service Annual Report 2015-16 be noted.

2) the Committee be updated on recovered financial savings in future.

13. ANNUAL GOVERNANCE STATEMENT 2015-2016

The Committee considered the Draft Annual Governance Statement (AGS) which had been produced by the Corporate Leadership Team following consideration of a number of Management Assurance Statements produced by the Council's four Directors and two Heads of Services.

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

- The Annual Governance Statement covered the following key aspects of the governance environment in place at the 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.
- With the increasing number of major infrastructure projects being commenced further clarity of project management governance structures and procedures had been introduced.
- Health integration had also been identified as a significant governance issue.
- The Chief Executive had identified actions required to strengthen the aforementioned areas of governance and that their implementation would be monitored.

RESOLVED: That the Committee approve the Annual Governance Statement on behalf of the Council, prior to it being included in the final Statement of Accounts.

14. LOCAL CODE OF CORPORATE GOVERNANCE: DELIVERING GOOD GOVERNANCE IN WOKINGHAM BOROUGH COUNCIL

The Committee received the Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council.

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

- Catherine Hickman informed Members that the adoption of the Code would enable the production of the Annual Governance Statement to move to an exception basis, provide greater transparency and make the code a living document that demonstrated good governance through a practical alignment with the Council's activities.
- Councillor Rowland asked for assurance that the proposed approach was more efficient than the current. Paul Ohsan-Ellis commented that the current Annual Governance Statement contained a lot of narrative and information that was available elsewhere such as on the Council's website.

RESOLVED: That the Local Code of Corporate Governance: Delivering Good Governance in Wokingham Borough Council be approved.

15. RETROSPECTIVE PURCHASE ORDERS

Members were updated on Retrospective Purchase Orders. (RPOs)

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

- Reporting for April 2016 stood at 10%. A total of 97 RPO's were raised in the month, covering 77 suppliers.
- During April 2016 the value of retrospective orders raised was £388,297.51, ranging from £5.20 to £166,267.66. 10 retrospective purchase orders were in excess of £5,000, and of these one was over £50,000. The largest RPO was raised for £166,267.66 against Capita Business Services Ltd which related to various modules including training, consultancy, licence fee, subscriptions and support; fees were funded through the Schools Block.
- Councillor Lee proposed that in future the Committee only look at material Retrospective Purchase Orders. He asked that Officers give consideration as to the appropriate level of materiality.
- Members asked when a purchase order was required. Rob Stubbs commented that procurement cards could be used for very small items.
- Rob Stubbs indicated that retrospective purchase orders would never be completely eradicated. For example, with regards to the Public Health sexual health services, invoices were received for services from GPs all over the country, which made it difficult to budget for.
- Councillor Jorgensen commented that many of the retrospective purchase orders related to the Schools Block and asked whether the Committee was likely to continue to see this in the future. Rob Stubbs explained that the relevant finance business partner would be focusing on improving this area.
- In response to a query from Councillor Margetts, Rob Stubbs indicated that the lowest level of retrospective purchase orders was 7% a month.

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

16. FORWARD PROGRAMME 2016-17

The Committee considered the Forward Programme 2016-17.

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

- The Committee requested a regular update on complaints and compliments.
- Training on treasury management would take place prior to the September Committee meeting.
- A training session on understanding the statutory accounts would be held prior to the Committee's September meeting.
- Andy Couldrick informed Members that the Internal Audit progress report which would be presented at the September Committee meeting would include information regarding improving capital expenditure.

RESOLVED: That the Forward Programme 2016-17 be noted.

Wokingham Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



Contents

1. Executive summary	1
2. Responsibilities and purpose of our work.....	3
3. Financial statements audit	4
4. Value for money	8
Appendix A – Uncorrected audit differences	9
Appendix B – Corrected audit differences	10
Appendix C – Outstanding matters	11
Appendix D – Independence.....	12
Appendix E – Auditor fees	13
Appendix F – Draft audit report	14
Appendix G – Required communications with the audit committee.....	18

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)

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 Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members 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. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Wokingham Borough Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items at Appendix C - we will issue an audit opinion in the form which appears in Appendix F:</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements, although this cannot be confirmed until the outstanding areas are fully addressed.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are still completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We will provide a verbal update on the progress of this work at the Audit Committee on 28 September.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There are currently no unadjusted or adjusted audit differences above our reporting thresholds. Further details of these thresholds can be seen at Appendix A and Appendix B. As the audit is still ongoing this could be subject to change.</p>
Scope and materiality	<p>In our audit plan presented at the June 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £6.7 million. We have reassessed this based on the actual results for the financial year and have decreased this amount to £6.456 million. This was due to a decrease in Gross Revenue Expenditure from £337 million to £322 million.</p> <p>The threshold for reporting audit differences which impact the financial statements has also decreased from £338,000 to £323,000. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. We developed an audit strategy specific to the areas identified as set out below:</p>

-
- Remuneration disclosures. We reviewed the senior officer remuneration disclosures and tested substantively. We have reviewed the details and agreed to supporting documentation where necessary. No issues noted.
 - Related party transactions. We reviewed the related party transactions disclosure and the returns received from members and senior officers. We identified two additional disclosures which have been actioned. No other issues noted.

We carried out our work in accordance with our Audit Plan.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- Better Care Fund
- IFRS 13/IPSAS 16 Valuation
- Risk of management override
- Revenue and Expenditure Recognition

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over these significant risks.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Helen Thompson

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report on an exception basis on the Annual Governance Statement;
- consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the Council's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Better Care Fund</p> <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, 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.</p>	<p>Our approach focused 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 ▶ consideration of the robustness of governance arrangement for oversight and assurance over BCF arrangements. 	<p>We:</p> <ul style="list-style-type: none"> ▶ examined relevant agreements entered into by the Council. No issues noted. ▶ reviewed the proposed accounting treatment for BCF and disclosures. No issues noted. ▶ tested the relevant entries in the accounts. No issues noted. ▶ Reviewed the governance arrangements. No issues noted.

IFRS 13/IPSAS 16 Property Valuation

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.

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.

The Council had approximately £32 million in 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.

Our approach focused on:

- ▶ 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.

- ▶ We reviewed the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties and noted no issues.
- ▶ We tested a sample of assets classified as Investment Properties and re-classified from Investment Properties and agreed with the classification.
- ▶ We completed an assessment of the property valuation expert commissioned to undertake the valuation. This did not identify any issues.

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed accounting estimates for evidence of management bias;
- evaluated the business rationale for any significant unusual transactions; and
- reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

- We have not identified any material weaknesses in control or evidence of management override.
- Our testing of journal entries did not identify adjustments which were outside the normal course of business. All journals tested had an appropriate business rationale.
- The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We found no indication of management bias in these estimates.
- We have not identified any instances of inappropriate judgements being applied.
- We reviewed the transfer of the Waingels Academy under significant unusual transactions. No issues were noted.
- We did not identify any instances of incorrect classification of revenue spend.

Risk of fraud in revenue and expenditure recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We:

- reviewed and tested revenue and expenditure recognition policies;
- reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- developed a testing strategy to test material revenue and expenditure streams;
- reviewed and tested revenue cut-off at the period end date; and
- reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

- Our testing has not identified any material misstatements in revenue and expenditure recognition.
- Our testing of cut-off at the period end did not identify any issues.
- We did not identify any instances of incorrect classification of revenue spend.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- qualitative aspects of your accounting practices; estimates and disclosures;
- matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest

In the prior year we found a number of issues with the quality and version control of working papers. This was in part due to the implementation of the new ERP system in September 2014. We liaised with management about this issue and have found there has been improvement during the 2015/16 audit.

We have agreed to hold a review meeting in October with your finance team to assess how we can continue to improve our joint working arrangements. This will include a review of your financial statements to improve the structure and clarity of reporting.

We have no other matters we wish to report.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. For the purposes of the audit we have completed testing of Housing Benefit controls. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. To date these are the standard representations.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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

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

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

We currently have no uncorrected audit differences greater than the value of our reporting threshold for unadjusted differences. The reporting threshold is £323,000. As the audit is still ongoing we will provide an update on this position to the Audit Committee on 28 September.

Appendix B – Corrected audit differences

We identified a number of audit differences during the course of the audit. These items have been corrected by management within the revised financial statements. None of the items noted were individually greater than our reporting threshold of tolerable error of £4.842 million. As the audit is still ongoing we will provide an update on this position to the Audit Committee on 28 September.

Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Audit Committee
Annual accounts	<ul style="list-style-type: none"> · Incorporation of EY review comments on disclosure notes · Approval of accounts by Audit Committee · Accounts re-certified by RFO 	EY, management and Audit Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work including Payroll, Income and Expenditure Testing and Journals Testing	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 28 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of March 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	£105,617	£105,617
Certification of claims and returns	£7,183	£7,183

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix F – Draft audit report

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

Opinion on Wokingham Borough Council's financial statements

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Wokingham Borough Council and Group Movement in Reserves Statement,
- Wokingham Borough Council and Group Comprehensive Income and Expenditure Statement,
- Wokingham Borough Council and Group Balance Sheet,
- Wokingham Borough Council and Group Cash Flow Statement and related notes 1 to 46 and Group Notes 47 to 54 ,
- Wokingham Borough Council and Group Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 13;
- Wokingham Borough Council Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Wokingham Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wokingham Borough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities set out on page 22, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Wokingham Borough Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Wokingham Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

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

Auditor’s responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, as to whether Wokingham Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wokingham Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wokingham Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Helen Thompson (Executive Director)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Southampton

30 September 2016

Appendix G – Required communications with the audit committee

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

Required communication	Reference
<p>Planning and audit approach</p> <p>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 	Audit Results Report
<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 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Wokingham Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
<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 	Audit Results Report
<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 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>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 	We have not matters we wish to report.

Required communication	Reference
<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 	We have received all requested confirmations with the exception of 1 which we are following up with the counter-party
<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 	We have not identified any material instances of non-compliance with laws and regulations.
<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 partner'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 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Letter/Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report
<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 	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

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Agenda Item 23.

TITLE	Financial Statements 2015/16
FOR CONSIDERATION BY	Audit Committee on 28 September 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME/BENEFITS TO THE COMMUNITY

The Council demonstrates the highest levels of financial management which means that the council tax payers' money is used effectively and managed safely.

RECOMMENDATION

That the financial statements and letter of representation for 2015/16 be approved.

SUMMARY OF REPORT

The financial statements for 2015/16 will follow. The letter of representation is attached and the key issues are summarised below.

Financial resilience is one of the most important factors in ensuring future stability. Wokingham Borough Council is in the very top level of authorities where resilience has been proven to be of the highest level. This shows that despite significant reductions in government funding and other financial pressures the Council has continued to seek to ensure it is in a position to be able to operate within its available resources for the foreseeable future. This is a significant achievement in the current climate where some auditors have raised concerns around the public sector being able to deal with the continuation of austerity.

The financial position of the Council depends on a number of factors such as financial governance, financial planning and financial control. The financial medium term plan covers a three year horizon, but the organisation plans further ahead, not just for the three years in the medium term financial plan but looking forward to the next twenty years. Our external auditors' opinion on the statement of accounts for 2015/16 is elsewhere on this agenda.

The deficit on the provision of services, including the Housing Revenue Account (HRA) is £42.8m which, after the required accounting adjustments (including capital financing) becomes a deficit of £0.8m on the General Fund and a surplus of £1.7m for the HRA. The General Fund balance at 31 March 2016 is £10.4m and for the HRA £5.8m

The Revenue Monitoring outturn report was presented to the Executive on 26 May 2016, and is summarised in the narrative report within the financial statements. It shows that the Council forecasts an overspend on its budget of £0.5m after carry forward requests.

The useable capital receipts reserve as at 31 March 2016 stands at £8.8m and the useable grants and contributions reserve stands at £13.4m. A further £28.6m is held under capital grants receipts in advance as these grants and contributions have conditions attached to them which dictate how they should be spent. These funds are

available and required to fund the Council's capital commitments such as highways infrastructure improvements and schools capital expenditure.

The Housing Revenue Account (HRA) surplus was £1.5m. Significant items include the disposal of land to Wokingham Housing Limited and an associated impairment reversal of £3.6m. Following the required statutory adjustments through the movement in reserves statement the adjusted surplus was £1.7m.

School balances have decreased to £4.6m at 31 March 2016 from £5.8m at 31 March 2015, while the Dedicated Schools Grant (DSG) central reserve has increased to £2.1m at 31 March 2016 from £0.6m at 31 March 2015.

The letter of representation is included at the end of this report.

Background

The National Audit Office issued their 'Financial Sustainability of Local Authorities 2014' report in November 2014, the latest available report. The key conclusions were that government has reduced its funding to local authorities by 37% in real terms between 2010-11 and 2015-16, and 25% after taking account of council tax receipts. Provisional data from the Department for Communities and Local Government (DCLG) show that from 2010-11 to 2015-16 spending power will have fallen by 25.2% (excluding funding for schools and benefit claimants).

The report stated that whilst most councils have risen to the challenges presented by reduced funding, a survey of local auditors showed that they are increasingly concerned about the future financial sustainability of some authorities and their capacity to make further savings.

The National Audit Office also stated that DCLG expected funding reductions to lead to service pressures rather than financial failure, given the strength of the local authority legal framework. Local authorities' main response to funding reductions has been to reduce spending, but councils have tried to protect spending on statutory services for vulnerable groups. In general local authorities have not used reserves to offset funding reductions.

The report noted that whilst DCLG aimed to give local authorities more freedoms and incentives on how funding is raised, this had contributed to much more complexity and risk in local authorities financial management and several key areas were identified. From 1 April 2013 councils have retained around half of any local growth in business rates, while since 2011/12, local authorities have received extra funding (New Homes Bonus) for every new residential property in their area. The Bonus is mostly funded by reallocating a portion of revenue support grant, meaning that while some authorities will gain, others will lose.

The external auditors in reaching their value for money conclusion have to test for financial resilience. This means the auditors have to be satisfied that the organisation has robust systems and processes in place to manage effectively its financial risks and opportunities, and to secure a stable financial position.

To meet our statutory responsibilities, increases in the demand for services linked to significant demographic changes, such as the ageing population and rising birth rate,

we have to improve our efficiency and productivity, control our costs and have sustainable financial plans to ensure we are financially resilient.

The quality of financial governance and leadership in any organisation is critical in meeting the financial management challenges and for securing financial resilience. Good basic systems, processes and controls are important, but it is the overall financial culture that makes the difference.

The authority has set the budgets over the past years in the context of a longer-term financial strategy and a medium-term financial plan (MTFP). The Long Term Financial Plan includes assumptions around inflation; income levels; demographics; future demand for services, and is based on reasonable predictions. The financial position depends on factors including the level of borrowing, receivables outstanding, investment risks, council tax and business rates collection rates and levels of reserves.

The opinion of our auditors is detailed elsewhere on this agenda and states;

“In our opinion the financial statements :

- give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and*
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16”*

Each year the Audit Committee is asked to approve the financial statements of the Council. The financial statements for 2015/16 will follow and explanations of key issues affecting the Council's financial position during the year are set out below.

Analysis of Issues

The income and expenditure for all services and functions, including the HRA and capital transactions, are combined within the financial statements to form the income and expenditure accounts for the authority. The balance sheet provides details of all the assets and liabilities of the council and how it is financed.

The key issues that have impacted upon the financial statements in 2015/16 are as follows:-

- Letter of Representation. There are no unadjusted errors to report on the letter of representation.
- This is the sixth time the Authority has had to prepare Group Financial statements to account for its interests in subsidiary companies, and also it is the second time the Authority has had to prepare accounts for its holding company, WBC (Holdings) Ltd. The accounts have consolidated those of Wokingham Housing Ltd (WHL), Loddon Homes Ltd (LHL), Wokingham Enterprises Ltd (WEL) and Optalis Ltd.
- The deficit on the Council's pension funds has decreased by £9.2m to £215.2m at 31 March 2016 largely due to actuarial gains on the scheme's assets and liabilities. The Council also guarantees the pension liabilities of Optalis Ltd which were £6.8m at 31 March 2016. The next triennial valuation of the fund is due to be published by 31 March 2017, and may lead to changes in the required

level of employers' contributions if required.

- Approximately £46.8m was spent on the Council's fixed assets in 2015/16, the larger items being £23.0m on Children's Services, £8.9m on Environmental Services, £8.5m on Health and Wellbeing, and £3.9m on Chief Executive's service largely for the regeneration of Wokingham Town Centre. The Children's Services expenditure included £15.6m on a new secondary school at Arborfield, while Environmental expenditure include highways improvements including Wokingham station link road and Coppid Beech Roundabout, and Health and Wellbeing expenditure included £5.3m for refurbishments of Council housing.
- Short term Investments on the balance sheet have decreased to £43.6m at 31 March 2016 compared to £47.6m at 31 March 2015. In addition there were £10.0m of short term investments included in the cash and cash equivalents total of £10.8m, due to their short life. This made a total of £53.6m of short term investments, of which £32.0m was invested in house, while £11.9m and £9.7m were managed by Royal London Asset Management (RLAM) and Scottish Widows Investment Partnership Ltd (SWIP) respectively.
- Short term borrowing was £4.6m at 31 March 2016 compared to £2m at 31 March 2015. Long term borrowing was £129.0m at 31 March 2016, compared to £131.9m as at 31 March 2015.
- The balance on the General Fund at 31 March 2016 was £10.4m.
- The Housing Revenue Account balance was £5.8m at 31 March 2016 after adjustments and is above the level identified by risk assessment to be the council's required level of HRA balances.

The auditor raised no specific issues arising from the audit.

The draft accounts were approved by Graham Ebers, Director of Finance and Resources, on 29 June 2016 in line with the Accounts and Audit Regulations 2015 which require the Chief Financial Officer to approve the draft financial statements by 30 June. Member approval is required by 30 September each year after completion of the external audit of the accounts, and this is through the Audit Committee. The audit of the financial statements is now complete and the auditor's conclusions are reported elsewhere on this agenda. The financial statements have been amended to reflect the audit findings, and it is the final audited financial statements that the Audit Committee is asked to approve.

Corporate Implications

The report is in respect of both the revenue and capital expenditure incurred during the 2015/16 financial year to deliver the priorities of the Council.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

List of Background Papers

Statement of Accounts National Audit Office – Financial Sustainability of Local Authorities 2014

Contact Jonathan Ross	Service Finance and Resources
Telephone No 0118 974 6560	Email Jonathan.Ross@wokingham.gov.uk
Date 20 September 2016	Version No. 1



**WOKINGHAM
BOROUGH COUNCIL**

28 September 2016

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This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Wokingham Borough Council Group (“the Group and Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Wokingham Borough Council Group as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation consolidated and council financial statements are appropriately described in the consolidated and council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group and Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Audit Committee and Executive (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have

been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We have disclosed to you, the group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Notes 32-34 to the consolidated and council financial statements all guarantees that we have given to third parties.
4. All potential liabilities and contingencies relating to contract disputes have been appropriately assessed and disclosed in the Council's financial statements in accordance with the Code of Practice for Local Authority accounting.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group Audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent, subsidiary undertakings and associated undertakings

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J. Use of the Work of an Expert

1. We agree with the findings of Barnett Waddingham engaged to provide IAS19 valuation services for the defined benefit pension scheme as set out in Note 19 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.
2. We believe the measurement processes employed, including related assumptions and models, in determining accounting estimates is appropriate and consistent with our expectations.
3. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

Graham Ebers, Director Finance and Resources

I confirm that this letter has been discussed and agreed at the Audit Committee on 28 September 2016

David Lee, Chairman of Audit Committee

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Agenda Item 24.

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 28 September 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 (RPOs). The last report presented to the Audit Committee was in June 2016.

The incidence of RPOs 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 RPOs being raised.

Reporting for the latest month (August 2016) stands at 9%. A total of 57 RPOs were raised in the month. This covered some 55 suppliers.

The value of retrospective orders raised during August 2016 was £402k. Individual order values ranged from £5.10 to £257,808. Of the total, 8 RPOs were in excess of £5,000, one of which was in excess of £50,000. The largest RPO valued at £257,808 was raised against West Berkshire Council. This related to the Trading Standards Shared Service.

The attached information breaks this information down in more detail.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil		
Next Financial Year	Nil		

(Year 2)			
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 John Ogden	Service Finance & Resources
Telephone No 07879 608808	Email john.ogden@wokingham.gov.uk
Date 19 September 2016	Version No. 1.0

Retrospective Purchase Orders – Detailed Information

The issue of retrospective purchase orders (RPOs) was identified as an issue with the implementation of the new financial system. The first data point - and the start point for action - was May 2015 when RPOs represented 31% of total purchase orders. Since then there has been a marked improvement (as reported in Table 1) falling to 9% of total in August 2016, although there is further work to be done.

Table 1 – Retrospective purchase orders as percentage of total orders last 12 months

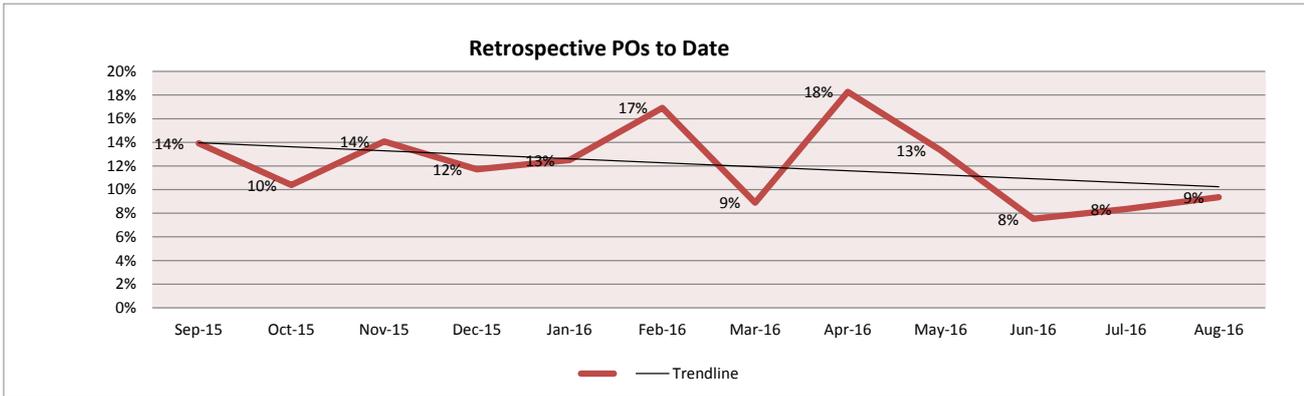
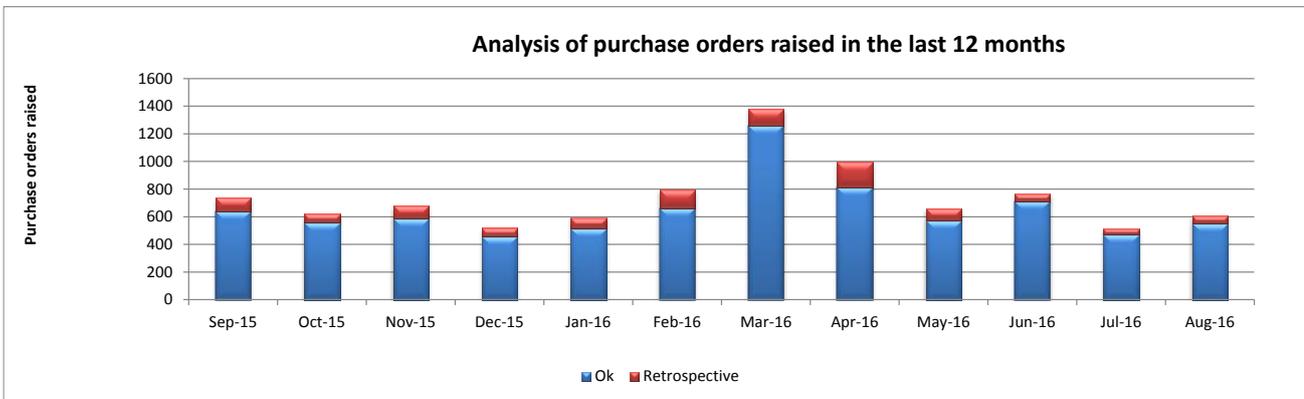


Table 2 shows the levels of total purchase orders which were raised in the last 12 months broken down into those which were raised correctly and those which have been raised retrospectively.

Table 2 – Analysis of purchase orders raised in the last 12 months

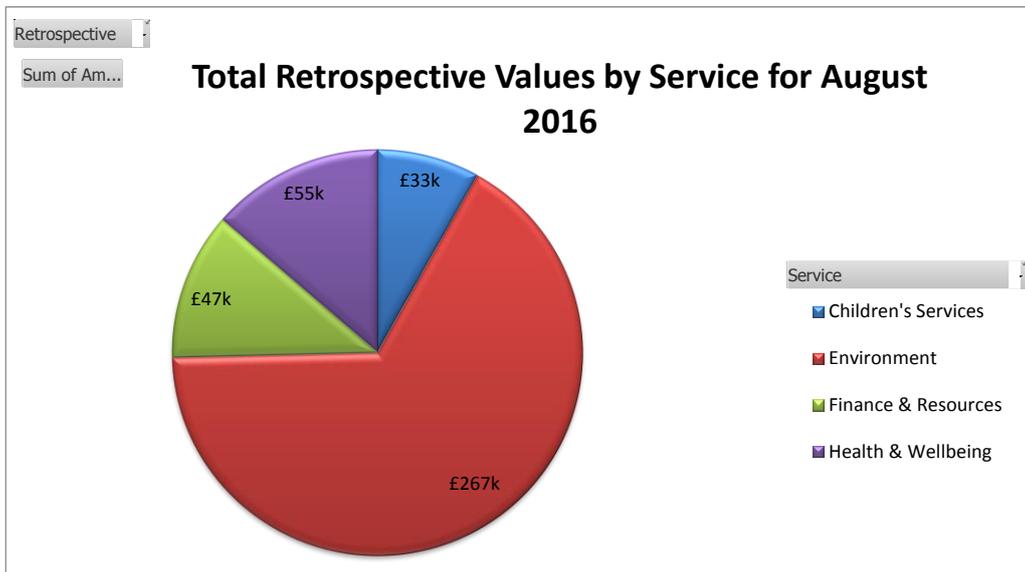


The volume of RPOs by service area for the most recent complete month is reported in Table 3.

Table 3 – Retrospective purchase orders August 2016

Service Unit	Aug-2016			Aug Total
	OK	Retrospective	% Retrospective	
Chief Executive	8	0	0%	8
Children's Services	131	15	10%	146
Environment	139	13	9%	152
Finance & Resources	178	19	10%	197
Health & Wellbeing	96	10	9%	106
Grand Total	552	57	9%	609

The following chart (Chart 1) represents the August information by value. Details of the individual purchase orders are reported in Table 5.



With RPOs a key control question is whether these items of expenditure may be foreseeable and / or quantifiable and therefore whether it is possible to raise a purchase order in advance.

- Within Environment the majority of the value (£257k of £267k) relates to cost of the Trading Standards Shared Service for the period 1st April 2016 to 9th January 2017. As the service is known and quantifiable a purchase order should be raised, one for the period 10th January to 31st March 2017 has now been requested.
- Within Finance and Resources, the majority of the value (£35k of £47k) relates to contributions to the Berkshire Pension Fund. Whilst the cost is foreseeable the value is variable therefore it may not be possible to raise a purchase order in advance of contributions being made. This is to be investigated further.
- The largest single transaction in Health & Wellbeing is the cost of car parking permits (£33k of £55k) for staff in the joint Better Care Fund team. As both the requirement and the value may have been foreseeable a purchase order should have been raised in advance. This is to be discussed further with the service area.

Next Steps

It is recognised that the council, led by the Finance Team need to further improve in this area. The Head of Finance and Business Partner Team have agreed the following actions which will prevent avoidable delays, more effectively route purchases, and in the longer term may enhance our buying power:

- Ensure that an approved (and regularly updated) supplier list is available for use by all budget managers;
- Ensure that hierarchy / delegation / approval changes within WISER are dealt with promptly and ensure that budget managers are aware of the need to redirect during periods of absence;
- Examine enforcing the 'no purchase order, no pay' rule;

- Promote the use of procurement card for low value transactions;
- Targeted training of admin support staff;
- Encourage the wider use of blanket POs for utilities, service charges and similar supplies;
- Ensure that relevant product codes are completed during supplier setup therefore preventing subsequent payment delays.

These will begin to be delivered from November 2016.

Table 4 - The table below analyses August transactions by category of spend.

Service Unit	Aug-2016								Aug Total	
	Less than £500		£501 - £1000		£1001 - £5000		£5001 +		Retrospective	Amount
	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount	Retrospective	Amount		
Chief Executive	0	£0k	0	£0k	0	£0k	0	£0k	0	£0k
Children's Services	7	£2k	5	£4k	2	£4k	1	£22k	15	£33k
Environment	9	£2k	2	£1k	0	£0k	2	£264k	13	£267k
Finance & Resources	14	£3k	1	£1k	2	£3k	2	£41k	19	£47k
Health & Wellbeing	5	£1k	0	£0k	2	£5k	3	£49k	10	£55k
Grand Total	35	£7k	8	£6k	6	£12k	8	£377k	57	£402k

Table 5 – August 2016 RPOs in excess of £5,000.

Service	SupplierID(T)	PO_desc	Amou	Categ
Environment	West Berkshire District Council		£258k	£5001 +
Finance & Resources	Royal Borough of Windsor & Maidenhead (RBWM) Payroll ONLY	Berkshire Pension Fund for 2016/17 including year end,adjustments	£35k	£5001 +
Health & Wellbeing	Berkshire Healthcare NHS Trust	Car parking permits for staff based at the Old Forge. 38,permits at £900.68 (not inc VAT), fo	£33k	£5001 +
Children's Services	Cotswold Chine School	Summer holiday costs for child 507201 at res school	£22k	£5001 +
Health & Wellbeing	Optalis Limited	Project Management costs for Dom Care Plus Night Responder,scheme from April 2016	£10k	£5001 +
Environment	Bracknell Forest Borough Council	Contribution to Elgin Berkshire Consortium 2016/17	£7k	£5001 +
Finance & Resources	RTPI Conferences	RTPI SEASON TICKET FOR SCHEME 2016/2017	£6k	£5001 +
Health & Wellbeing	Housing Partners	Homeswapper subscription 05/10/16 to 04/10/17	£6k	£5001 +

TITLE	Corporate Risk Register refresh – September 2016
FOR CONSIDERATION BY	Audit Committee on 28 September 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 considers and notes the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR. This was reviewed and updated following the June 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 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

- No major changes to the risk register.

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 materialize, 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.

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 16 September 2016	Version No. V1

Corporate Risk Register
 Summary Page
 Updated 16/09/16

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			18,20	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 Judith Ramsden Review date April 2018</p> <p>Refresh Secondary School strategy Judith Ramsden Review date December 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
	council is working.	inadequate by Ofsted could lead to statutory/government intervention.								
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 failure, leading to the serious harm or death of a</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 • Audit (Internal and External Inspections) 	<p>Lessons learnt review to be done following recent provider failure</p> <p>Stuart Rowbotham Review date 30/09/16</p> <p>Improving market management</p> <p>Paul Feven Review date 31/12/16</p>	SR	JMS	8	3	H	L

12	<p>Risk that essential transport infrastructure needs a significant short term investment for repairs</p>		<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>Advanced protection of parapets at railway crossings to be reviewed. Alex Deans Review date 31/12/16</p> <p>Forward plan of capital works to 2019/20 Alex Deans Review date 31/12/16</p> <p>Formalised program of inspections Alex Deans Review date 31/12/16</p> <p>Preparation and Adoption of Highways Asset Management Policy & Strategy Alex Deans Review date 31/12/16</p>	HT	JK	8	4	H	M
14	<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 • Quarterly refresh of 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) 	<p>Seek to limit gap between infrastructure capital expenditure and related capital receipts (S106 / CIL). Martin Jones / Mark Cupit Review date 30/11/16</p>	GE	AP	8	3	H	H
<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</p>										

	priorities through insufficient resources or inadequate planning.		infrastructure needs.								
18	Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data		<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 Robust policies in this area Mandatory refresher programme recently undertaken Archiving of physical records Training for staff on document / information handling and basic information security practice Secure e-mail solution Document marking scheme 	<p>Continuing IGG programme of work & quarterly updates to CLT</p> <p>Sally Watkins Review Date 31/12/16</p>	GE	PJ	6	2	M	L	
	<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. 									
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		<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 	<p>To be confirmed: Risk Register for C21C programme under development</p> <p>Andrew Moulton Review Date 31/12/16</p>	AC	KB	6	2	M	L	
	<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</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 									

	<p>working change. Effective leadership, management, engagement and training will be critical factors.</p> <p>Risk that the council does not deliver its vision and priorities as a result of service failure.</p>		<ul style="list-style-type: none"> Monthly highlight report on Joint Board progress 								
23	<p>Risk of Health and Safety Failure Leading to Death or Serious Injury</p> <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 	<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 with a planned launch date of October 2016. Veronica Glenister Review date 31/10/16</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. Veronica Glenister Review date 30/11/16</p> <p>To set up a Lone Working and Work-related Violence Task & Finish Group with representatives from all services to develop a short term and long term improvement plan. Veronica Glenister Review date 31/10/16</p>	AC	KB	8	3	H	L	

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 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 	<p>Local health and care integration project.</p> <p>Stuart Rowbotham Review date 31/12/16</p>	SR	JMS	6	3	M	L
	<p>Degree and scale of change to the health and social care system combined with 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. Equally failure of social care services to meet care needs in the community may significantly impact on local health services.</p>	<ul style="list-style-type: none"> Vulnerable residents receive inadequate or unsafe responses and services. 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. 								
28	Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act		<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

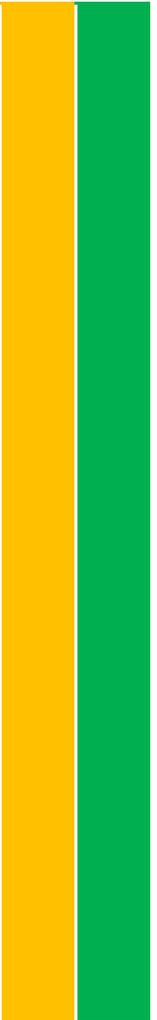
The Care Act 2014 introduced new national eligibility criteria with a threshold lower than that previously operated by the council. In consequence the council acquired statutory responsibilities to meet a wider range of needs for a larger number of people. The Care Act also introduced new duties to provide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

Stuart Rowbotham Review date
31/12/16



TITLE	Internal Audit and Investigation Q1 Progress Report
FOR CONSIDERATION BY	Audit Committee on 28 September 2016
WARD	None Specific
DIRECTOR	Catherine Hickman, Service Manager – Shared Audit & Investigation Service (and Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigations Progress Report details the work of the team from the 1 April 2016 to 30 June 2016. This is an update on the progress towards the formation of the Head of Internal Audit opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to the Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control environment. This assurance supports the Council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

That the Audit Committee note the Internal Audit and Investigation Progress Report.

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit and Investigations during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Service Manager, Shared Audit and Investigation Service to provide details of the work undertaken this financial year and highlight any areas of weakness the Committee should be aware of.

Background

This Progress Report fulfils two functions for the Audit Committee:

- It enables the committee to hold the Service Manager, Shared Audit and Investigation Service to account for the performance of internal audit and investigations.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigation activities.

Analysis of Issues

The Audit Committee should ensure that it receives the coverage, performance and results of Internal Audit and Investigation activity and any other appropriate additional assurances.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

List of Background Papers

None

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service.
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Date 16 September 2016	Version No. v1

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2016/17 to 30 June 2016
Audit Committee 28 September 2016

2016/17 Quarterly Progress Report (to 30 June 2016)

1. Introduction

1.1 This report summarises the work of Internal Audit and Investigation to 30 June 2016.

2. Internal Audit

Performance against Audit Plan to 30 June 2016

2.1 Appendix A(I) presents progress made against the 2016/17 Internal Audit Plan to 30 June 2016. At the end of 30 June 2016, progress on the Plan was affected due to a number of audits that have been deferred to later in the year at the request of management. We are actively managing the Audit Plan to take account of developments regarding the 21st Century Council initiative to ensure that our audit work is focussed on assisting the organisation to achieve its objectives and to add value.

2.2 There were 8 audits carried forward from 2015/16 and 7 are at final report stage and 1 at draft report stage. For 2016/17 audits, 1 is at final report stage, 2 are at draft report stage, 6 are work in progress and there is one grant certification.

Third Category Audit Opinion Reviews

2.3 There have been two audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) that have been completed to Final Report stage since the 2015/16 Annual Shared Audit and Investigation Service report submitted to the Audit Committee on 15th June 2016 that relate to the 2015/16 financial year.

- Capital Programme - identified that there were opportunities for improvement through the management action plan that have been discussed and agreed by Corporate Leadership Team, including monitoring the delivery of the Council's capital programme and profiling on capital projects in line with the Medium Term Financial Plan.
- Contract Management - identified that there were opportunities for improvement with regard to the Council's approach to contract management. The key areas for improvement include; the recording of contracts, validation of invoices and roles and responsibilities. Following this review, the Chief Executive has commissioned an audit of the Council's top 10 contracts to obtain assurance on that the key contracts are being managed effectively.

2.4 Contingency days to date have been spent on unplanned work requested by management in the following areas. All are currently in progress and the outcome of the reviews will be reported in the next quarterly report:

- Direct Payments
- Highway Infrastructure Assets.
- Highways SDL Programme Risk Review
- Grant Certification

2.5 There are no outstanding management responses to draft internal audit reports.

Development of New Systems / Special Projects

- Internal Audit has attended the Information Governance Group to advise on information security and governance issues. The Group has been working on the completion of the Information Security/Data Protection Act e-learning refresher programme as mandated by the Information Commissioner’s Office.
- In addition, Internal Audit has been involved in contributing material for the Council’s ‘Being a Manager Programme’ which is a management induction tool.

Other audit work

2.6 Progress against the Public Sector Internal Audit Standards Self-Assessment Action Plan is ongoing. Six actions have been implemented within the timescale identified in the Action Plan that went to the June Audit Committee.

3. Investigations

3.1 The Investigations Team performance up to the end of June 2016 covers the total potential financial savings. This was comprised of £4,529 of actual overpayments that are potentially recoverable and £20,500 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” as shown in Table 1 below.

Table 1 : Investigation Team Activity

Area of Work	2016/17 Total
Council Tax Reduction Scheme (CTRS)	£3,395
Procurement	£1,134
Housing (Notional)	£18,000
Blue Badges recovered (Notional)	£2,500
Total	£25,029

3.2 In terms of other Investigation activity, the following pieces of work were undertaken:-

- 45 Council Tax Reduction Scheme ongoing investigations
- 1 Monitoring Officer investigation
- Reactive response has been made in respect of any referrals of Blue Badge misuse.

- 3.3 In addition to the reactive investigation of fraud, the Investigation Team is undertaking a proactive counter fraud drive on Council Tax Student Exemptions.
- 3.4 We have been commissioned by the Council Tax section to perform a review of properties categorised as unfurnished and unoccupied to identify homes that have returned back into use to ensure that the Council maximises revenue from the New Homes Bonus.

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SHARED AUDIT AND INVESTIGATION SERVICE			
PROGRESS OF WOKINGHAM BOROUGH COUNCIL INTERNAL AUDIT PLAN 2016/17 (to 30 June 2016)			
AUDIT TITLE	DIRECTORATE	STATUS	OPINION
<u>2015/16 Audits Carried Forward</u>			
<u>Key Financial Systems</u>			
Capital Programme, Accounting, Expenditure Monitoring	Finance & Resources	FINAL	3
Financial Management (Budgetary Control and Reporting)	Finance & Resources	FINAL	2
Housing Rents	Finance & Resources	DRAFT	
<u>Governance Building Blocks</u>			
Major Corporate Projects	Governance & Improvement	FINAL	2
<u>Operational Risks</u>			
Implementation of Children and Families Act	Children's Services	FINAL	2
Contract Management	Cross Cutting	FINAL	3
Community Infrastructure Levy Operation/S106	Environment	FINAL	2
Governance of the Local Authority Trading Companies	Finance & Resources	WIP	
<u>2016/17 Audits</u>			
<u>Key Operational Risks</u>			
Information Management	Governance & Improvement	DRAFT	
<u>Management/Member Requests</u>			
Highways SDL Risk Registers	Environment	WIP	
Gas Servicing Safety Review (Housing)	Health & Wellbeing	FINAL	2
<u>Auditor Judgement</u>			
Contract Management	Cross Cutting	WIP	
Bulmershe School	Finance & Resources	DRAFT	
All Saints CE (Aided) Primary School	Finance & Resources	WIP	
Early St Peter's Primary School	Finance & Resources	WIP	
Farley Hill Primary School	Finance & Resources	WIP	
<u>Servicing the Business</u>			
Grant Cert: Social Care Capital Grant	Finance & Resources	FINAL	C
Highways Infrastructure Assets	Finance & Resources	WIP	
Effectiveness of System of Internal Audit	Governance & Improvement	FINAL	E
<u>2016/17 Deferred Audits</u>			
IT Disaster Recovery	Finance & Resources		
Server Room Controls (Physical, Environmental and IT Software Licences & IT Asset Management)	Finance & Resources		
Risk of inability to cope with increased burdens	Finance & Resources		
Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	Health and Wellbeing		

Legend

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 low. <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 medium 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 significant concerns that are of a high 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 • There are a number of concerns of a very high or high impact/likelihood. <p>(Risk management processes and controls are weak).</p>
C E	Grant Certification Exempt

TITLE	Internal Audit Charter
FOR CONSIDERATION BY	Audit Committee on 28 September 2016
WARD	None Specific
DIRECTOR	Catherine Hickman, Service Manager – Shared Audit & Investigation Service (and Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit Charter describes the purpose, authority, responsibilities and other relationships of the council's Internal Audit Service. As such, it is a key document in respect of the council's internal control, risk management and corporate governance framework.

RECOMMENDATION

That the Audit Committee consider and approve the Internal Audit Charter (attached) with the changes highlighted.

SUMMARY OF REPORT

As part of the effectiveness of internal audit review conducted in June 2016 there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the new Public Sector Internal Audit Standards (PSIAS) that were revised in April 2016. The changes are tracked in the document but are as follows:

- Bullet 10 on Independence clarifying access arrangements for Head of Internal Audit directly to the Chair of the Audit Committee, where appropriate.
- Bullet 12 on the Objectives of Internal Audit, the first sub-bullet point makes a clearer alignment with the Audit and Accounts Regulations 2015 terminology and requirements.
- Bullet 13 on the Objectives of Internal Audit that enables the use of Internal Audit assurance for 3rd party purposes. (PSIAS 1000.A1).
- Bullet 27 on the Audit Style and Content defines the scope and nature of consultancy services provided by internal audit and the ability for this work to contribute to the overall opinion. (PAIAS 1000.C1).
- Bullet 33 on Audit Reporting formally documents the role of the Head of Paid Service in relation to the Head of Internal Audit's appraisal and includes the Chair of the Audit Committee's input into the appraisal. (Public Sector interpretation of 1110).

Background

The Internal Audit Charter sets out to communicate key information around the following areas:

- The purpose or authority of Internal Audit and its definition.
- The role, purpose and function of Internal Audit with a stress on the independence to preserve objectivity.

- The objectives of internal audit and the scope of the audit function.
- The professional standards and ethics to be followed by Internal Audit and its employees.
- Reference to the responsibilities retained by Council's management.
- Audit style content and content including reference to a prepared audit protocol.
- Audit resources and training.
- Audit reporting.

The Internal Audit Charter shall be subject to annual review and approval by the Audit Committee.

Analysis of Issues

The Internal Audit Charter provides the authority for the practice of Internal Audit in the council and is a key governance document in this respect. The Audit Committee should consider whether the Charter provides Internal Audit with the necessary authority to enable it to fulfil its responsibilities in providing independent and objective assurance to the Audit Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

List of Background Papers

None

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service.
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Date 16 September 2016	Version No. v1

Wokingham Borough Council

INTERNAL AUDIT CHARTER

The Terms of Reference for the provision of the Internal Audit Service within the Shared Audit and Investigation Service at Wokingham Borough Council.

(This document revises and updates the previous Audit Charter approved by Audit Committee Reviewed annually. Last approved by Audit Committee 28 September 2016)

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Wokingham Borough Council. The Charter is reviewed on an annual basis to ensure that current needs are met. The latest Charter was approved by Audit Committee on 28 September 2016 and it demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in April 2016.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Role, Purpose and Function

5. The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Head of Internal Audit (HoIA) is performed by the Service Manager, Shared Audit & Investigation Service.
6. The Internal Audit Service provides:-
 - Senior Management and the Board (the Audit Committee) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

9. The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-

- unrestricted access to the Head of Paid Service and Senior Management.
- unrestricted access to the Chair of the Audit Committee and other Council Members.
- segregation from operations.

Comment [POE1]: In line with Public Sector interpretation of 1110.

11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non audit activities.

Objectives of Internal Audit

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Ensure compliance with the Accounts and Audit Regulations 2015.
- Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
- Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations
 - Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.
- Perform testing of key systems to inform the work of the External Auditors.
- Undertake projects to meet the current concerns of the Audit Committee, Head of Paid Service, Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
- Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Service Manager, Shared Audit and Investigation Service arranges this work and the outcomes are presented to the Audit Committee.
- Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

Comment [POE2]: Clearer alignment with the explicit wording of Audit and Accounts Regulation 2015.

13. The assurance set out above is provided for the internal use of Wokingham Borough Council. Where the Audit Sponsor (Chief Executive/Director) decides it is prudent and increases

efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to Wokingham Borough Council, except where this is agreed within the scope of the applicable internal audit Terms of Reference.

Comment [POE3]: To cover off the issue of external assurances within 1000.A1.

Scope of Internal Audit

14. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (both electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the HoIA.
15. In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.
16. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

17. The Service Manager, Shared Audit and Investigation Service has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
 - Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
18. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Board (Audit Committee). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Service Manager, Shared Audit and Investigation Service and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.

22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the Shared Audit and Investigation Service's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Service Manager, Shared Audit and Investigation Service, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
25. The Service Manager, Shared Audit and Investigation Service will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
26. The Service Manager, Shared Audit and Investigation Service will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit Committee. This includes any advisory and non-audit services that SAIS provides to management.

Audit Style and Content

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the WBC Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
28. The Service Manager, Shared Audit and Investigation Service will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, the Service Manager, Shared Audit and Investigation Service will:
 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit Committee. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
 - ensure that current entries in the WBC Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Board.
 - ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

Comment [POE4]: Defining the nature of consultancy services 1000.C1

Audit Resources and Training

29. Internal Audit resource will be determined by the Audit Committee in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Service Manager, Shared Audit and Investigation Service must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by WBC. The Service Manager, Shared Audit and Investigation Service will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
31. The Service Manager, Shared Audit and Investigation Service will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
32. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

33. The Service Manager, Shared Audit and Investigation Service reports operationally directly to the Head of Governance and Improvement who is a member of the Council's Corporate Leadership Team (CLT). The Head of Paid Service reviews the performance appraisal of the Service Manager, Shared Audit and Investigation Service. Feedback is sought from the Chair of the Audit Committee on the performance of the Service Manager, Shared Audit and Investigation Service
34. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible Director, Head of Service and Unit/Service Manager/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Chief Executive and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
 - c. To the Audit Committee on a quarterly and on an annual basis and to the CLT on a regular basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, to highlight where management have not responded to audit concerns, to identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
 - d. The annual report to the Audit Committee will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

Comment [POE5]: Public sector interpretation of 1110 applies.

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

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
	6.	Complaints and compliments update	Customer Services

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

To be scheduled: Appointment of Audit Panels

81

Agenda Item 28.

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